



LIAISON OFFICER SERVICE

Help for small businesses
and self-employed individuals

INFORMATION KIT



The following information kit is intended solely for the explanation of general tax concepts and does not replace any tax laws or regulations contained in the Income Tax Act or the Excise Tax Act.

THIS INFORMATION KIT CONTAINS

Taxpayer Bill of Rights – RC4417

Most common errors made by small businesses

Benchmarking Example

Benchmarking Information

GST/HST information for Non-Registrants

GST/HST information for Registrants

Payroll information

Books and records legislation

Helpful tips

Collections at the CRA – Basic information

CRA's e-services, recommended publications and more

My Account Information

My Business Account Information

Beware of tax schemes – Information sheet

T2125 Statement of Business or Professional Activities

GST/HST Return Working Copy

LO Brochure



TAXPAYER BILL OF RIGHTS

1. You have the right to receive entitlements and to pay no more and no less than what is required by law.
2. You have the right to service in both official languages.
3. You have the right to privacy and confidentiality.
4. You have the right to a formal review and a subsequent appeal.
5. You have the right to be treated professionally, courteously, and fairly.
6. You have the right to complete, accurate, clear, and timely information.
7. You have the right, unless otherwise provided by law, not to pay income tax amounts in dispute before you have had an impartial review.
8. You have the right to have the law applied consistently.
9. You have the right to lodge a service complaint and to be provided with an explanation of our findings.
10. You have the right to have the costs of compliance taken into account when administering tax legislation.
11. You have the right to expect us to be accountable.
12. You have the right to relief from penalties and interest under tax legislation because of extraordinary circumstances.
13. You have the right to expect us to publish our service standards and report annually.
14. You have the right to expect us to warn you about questionable tax schemes in a timely manner.
15. You have the right to be represented by a person of your choice.
16. You have the right to lodge a service complaint and request a formal review without fear of reprisal.

Commitment to Small Business

1. The Canada Revenue Agency (CRA) is committed to administering the tax system in a way that minimizes the costs of compliance for small businesses.
2. The CRA is committed to working with all governments to streamline service, minimize cost, and reduce the compliance burden.
3. The CRA is committed to providing service offerings that meet the needs of small businesses.
4. The CRA is committed to conducting outreach activities that help small businesses comply with legislation we administer.
5. The CRA is committed to explaining how we conduct our business with small businesses.

For more information, visit the CRA website at canada.ca/taxpayer-rights

CHARTRE DES DROITS DU CONTRIBUABLE

1. Vous avez le droit de recevoir les montants qui vous reviennent et de payer seulement ce qui est exigé par la loi.
2. Vous avez le droit de recevoir des services dans les deux langues officielles.
3. Vous avez droit à la vie privée et à la confidentialité.
4. Vous avez le droit d'obtenir un examen officiel et de déposer par la suite un appel.
5. Vous avez le droit d'être traité de façon professionnelle, courtoise et équitable.
6. Vous avez droit à des renseignements complets, exacts, clairs et opportuns.
7. Vous avez le droit de ne pas payer tout montant d'impôt en litige avant d'avoir obtenu un examen impartial, sauf disposition contraire de la loi.
8. Vous avez droit à une application uniforme de la loi.
9. Vous avez le droit de déposer une plainte en matière de service et d'obtenir une explication de nos constatations.
10. Vous avez le droit que nous tenions compte des coûts liés à l'observation dans le cadre de l'administration des lois fiscales.
11. Vous êtes en droit de vous attendre à ce que nous rendions compte.
12. Vous avez droit, en raison de circonstances extraordinaires, à un allègement des pénalités et des intérêts imposés en vertu des lois fiscales.
13. Vous êtes en droit de vous attendre à ce que nous publions nos normes de service et que nous en rendions compte chaque année.
14. Vous êtes en droit de vous attendre à ce que nous vous mettions en garde contre des stratagèmes fiscaux douteux en temps opportun.
15. Vous avez le droit d'être représenté par la personne de votre choix.
16. Vous avez le droit de déposer une plainte en matière de service et de demander un examen officiel sans crainte de représailles.

Engagement envers les petites entreprises

1. L'Agence du revenu du Canada (ARC) s'engage à administrer le régime fiscal afin de réduire au minimum les coûts de l'observation de la loi engagés par les petites entreprises.
2. L'ARC s'engage à collaborer avec tous les gouvernements en vue de rationaliser les services, de réduire les coûts et d'alléger le fardeau lié à l'observation de la loi.
3. L'ARC s'engage à offrir des services qui répondent aux besoins des petites entreprises.
4. L'ARC s'engage à offrir des services au public qui aident les petites entreprises à observer les lois qu'elle administre.
5. L'ARC s'engage à expliquer sa façon de mener ses activités auprès des petites entreprises.

Pour obtenir plus de renseignements, visitez le site Web de l'ARC à canada.ca/droits-contribuable

MOST COMMON ERRORS MADE BY SMALL BUSINESSES

Income Tax

Unreported/underreported income

Over claimed motor vehicle expenses

Over claimed business-use-of-home expenses

Over claimed meals and entertainment expenses

Over claimed utilities expenses

Capital cost allowance (CCA)

Goods and services tax/harmonized sales tax (GST/HST) included in expenses claimed (If an amount has been claimed in a GST/HST return the same amount cannot be claimed for Income Tax)

GST/HST

Not collecting or remitting the GST/HST on sales when required

Failing to register and collect/remit GST/HST on sales after surpassing the small supplier threshold

Claiming an input tax credit (ITC) in error or without proper documentation

Electing to use the quick method of accounting, but still claiming the ITC

Charging the incorrect amount of GST/HST based on the place of supply rules

COMMON REASONS FOR ERRORS

- Overlooked reporting of secondary or other sources of income
- Lack of bank reconciliation; discrepancy between declared revenues and bank deposits
- Expenses are not supported with documentation or no supporting documents to explain the business vs. personal portion of expenses (for example, motor vehicle, business-use-of-home expenses)
- Claiming personal portion of expenses (for example, motor vehicle expenses) and ITCs
- Lack of tax knowledge or tax rules (that is, amounts claimed that are limited by tax legislation – meals and entertainment, etc.)
- Assets classified as expenses
- Including ITCs as an expense

Benchmarking

Report for: NAICS 531211 - Real Estate Agents - Financial Performance Data

Profile

Revenue range	Annual revenues \$30,000 - \$5,000,000
Provinces / Territory / Canada	Canada
Incorporation status	All businesses
Distribution by Value in Data year:	Total revenue Thousands of dollars
Industry	2015 NAICS 531211 - Real Estate Agents

Source: Statistics Canada - Small business profiles, 2015

	Whole industry (reliability)	Bottom quartile (25%)	Lower middle (25%)	Upper middle (25%)	Top quartile (25%)	Percentage of businesses reporting
Number of businesses	46985					
Revenue range:						
Low Value (\$000)	30	30	53	88	151	
High Value (\$000)	5000	53	88	151	5000	
Revenues and expenses	(thousands of dollars) - Averages					
Total revenue	134.0 ^A	40.80	69.40	115.60	310.20	100.00
Sales of goods and services	N/A	N/A	N/A	N/A	N/A	N/A
All other revenues	N/A	N/A	N/A	N/A	N/A	N/A
Cost of sales (direct expenses)	5.7^B	0.60	1.30	2.90	17.90	13.60
Wages and benefits	0.5 ^A	0.00	0.10	0.30	1.70	1.60
Purchases, materials and sub-contracts	5.0 ^B	0.60	1.20	2.60	15.80	13.00
Opening inventory	0.6 ^C	0.30	0.20	0.20	1.90	0.30
Closing inventory	0.5 ^E	0.30	0.10	0.20	1.50	0.30
Operating expenses (indirect expenses)	59.2^A	21.30	31.50	47.70	136.10	96.60
Labour and commissions	9.2 ^A	0.40	1.10	3.20	32.00	18.30
Amortization and depletion	2.4 ^A	1.40	1.90	2.10	4.10	68.90
Repairs and maintenance	0.6 ^B	0.10	0.20	0.30	1.50	13.80
Utilities and telephone/telecommunication	2.1 ^A	1.30	1.60	2.00	3.50	87.00
Rent	1.6 ^A	0.50	0.80	1.20	3.70	18.90
Interest and bank charges	1.0 ^C	0.30	0.40	0.50	2.70	28.80
Professional and business fees	5.8 ^B	1.70	2.90	4.70	13.90	79.10
Advertising and promotion	8.9 ^B	2.20	3.80	7.10	22.60	84.90
Delivery, shipping and warehouse expenses	0.1 ^A	0.00	0.00	0.10	0.20	11.50
Insurance	0.5 ^A	0.30	0.30	0.40	1.00	45.10
Other expenses	27.1 ^A	13.00	18.30	26.10	50.80	96.30
Total expenses	64.8^A	21.90	32.80	50.60	154.00	96.70
Net profit/loss	69.2^A	18.90	36.60	65.10	156.20	99.90
Financial ratios	Averages					
Current ratio	N/A	N/A	N/A			
Debt to equity ratio	N/A	N/A	N/A			
Interest coverage ratio	71.90	75.20	93.00	121.80	58.50	
Debt ratio	N/A	N/A	N/A			
Revenue to equity ratio	N/A	N/A	N/A			
Revenue to closing inventory ratio	N/A	N/A	N/A			
Current debt to equity (%)	N/A	N/A	N/A			
Net profit to equity (%)	N/A	N/A	N/A			
Net fixed assets to equity (%)	N/A	N/A	N/A			
Gross margin (%)	95.80	98.40	98.10	97.50	94.20	
Return on total assets (%)	N/A	N/A	N/A			
Collection period for accounts receivable (days)	N/A	N/A	N/A			

	Whole industry (reliability)	Bottom quartile (25%)	Lower middle (25%)	Upper middle (25%)	Top quartile (25%)	Percentage of businesses reporting
Profitable vs Non-profitable businesses	<i>(thousands of dollars)</i>					
Profitable						
Percentage of businesses (%)	97.30	N/A	N/A			
Total revenue	133.6 ^A	40.90	69.40	115.70	306.70	
Total expenses	61.9 ^A	20.50	31.70	49.20	145.30	
Net profit	71.8 ^A	20.40	37.70	66.50	161.30	
Non-Profitable						
Percentage of businesses (%)	2.70	N/A	N/A			
Total revenue	147.9 ^B	38.80	67.60	114.10	460.80	
Total expenses	171.4 ^B	50.50	83.60	132.70	518.10	
Net loss	-23.5 ^B	-11.70	-16.00	-18.60	-57.30	

Legend for quality Indicators:

A=Excellent
B=Very good
C=Good
D=Acceptable
E=Use with caution

The tool is available at
ic.gc.ca/eic/site/pp-pp.nsf/eng/home

BENCHMARKING INFORMATION

How to obtain financial performance data (benchmarking data)

In your internet browser go to this web address: <http://www.ic.gc.ca/eic/site/pp-pp.nsf/eng/home>

Financial Performance Data

From: **Innovation, Science and Economic Development Canada**

Resources for Canadian businesses

[Managing your business during COVID-19](#)

Update: 2018 data is now available.

Create a report to view financial performance data by industry

Create a report

With Financial Performance Data you can view financial data based on industry averages, with an option to include your own income statement and balance sheet information in the report.

REVENUES AND EXPENSES	
Total revenue	100.0
Cost of sales	
Wages and salaries	
Purchases, less discounts	
Profitable	
Percent of total revenue	
FINANCIAL RATIOS	
Interest coverage ratio	

Once you select the Create a report button you are taken to the "Create a report" page. Here you can specify criteria that will customize the content of your report.

Revenue range:

You can select the Revenue range values of either the \$30 thousand to \$5 million or the \$5 million to \$20 million range. The selection of the \$5 million to \$20 million range is limited to the Canada level and incorporated businesses only.

Provinces/Territory/Canada:

From the drop-down menu, you can select the province or territory of your business to refine the focus of your report. Note that by selecting particular provinces and territories the sample size will be smaller and can impact the availability of data for your industry. By default "Canada" is selected. For Revenue range selections of "\$5 Million-\$20 million", "Canada" will be the only available geographic area selection criteria.

Incorporation status:

From the drop-down menu, you can select to view data for "Incorporated businesses", "Unincorporated businesses" or "All businesses". This option can help you to find more accurate comparison groups for your business. You will find all your selected variables on your report. If no data is available, the variable will be populated with N/A. By default "All businesses" is selected. For Revenue range selections of "\$5 Million-\$20 million", "Incorporated businesses" will be the only available Incorporation status selection criteria.

Distribution by:

For the "Distribution by" criteria, you can select to have data presented by Total revenue or Profit margin in your report. By default "Profit margin" is selected.

Value in:

You can select the values to be displayed as a percentage or in thousands of dollars. By default "Percentage" is selected.

Industry options:

In the Industry options, you can select "Search for an industry" or "Browse for an industry". By default "Search for an industry" is selected.

Search for an industry

If you select "Search for an industry", you must type in your industry NAICS code or keywords for the industry you are interested in. Then click the "Search" button and scroll through the list of industry sectors. Select the industry which reflects the main activity of your business then click on "Create report" button.

Browse for an industry

If you select "Browse for an industry", you must select an industry category from the drop-down list and press the "Search" button. Select the industry that you think matches closest to the main activity of your business and click "Create report".

A customized report is generated based on your selections of the criteria options.

Report for: NAICS 531211 - Real estate agents - Financial Performance Data

Revenue range:	Annual revenues \$30,000 - \$5,000,000
Provinces / Territory / Canada:	Canada
Incorporation status:	All businesses
	Note: Balance sheet information is not available for all businesses and unincorporated businesses under the incorporation status.
Distribution by:	Profit margin
Value in:	Percentage
Data year:	2018
Industry:	NAICS 531211 - Real estate agents

[Change criteria](#) [Add your data to the report](#)

To make changes to your report, you can either click on the "Change criteria" button or use the back arrow. If you selected "Change criteria", your selections will be kept.

All reports feature information for the whole industry. You'll have bottom quartiles, lower middle, upper middle and top quartile on your report, which can allow you to compare your business to a segment of the industry that features businesses that are more similar to yours.

Quartile information

The quartiles divide all of the small and medium sized businesses that operate within the selected industry into four groups (quartiles) of the same size based on levels of revenue or profit margin generated.

All of the businesses in the selected industry are ranked according to annual revenue or profit margin generated.

The Bottom quartile consists of the 25% of businesses with the lowest reported operating revenue or profit margin.

The Lower middle consists of the 25% of businesses with reported operating revenue above the cut-off for the Bottom quartile and below the median revenue or profit margin level.

The Upper middle consists of the 25% of businesses with reported operating revenue or profit margin above the median revenue or profit margin level and below the cut-off for the Top quartile.

The Top quartile consists of the 25% of businesses with the highest reported operating revenue or profit margin.

Add your data to the report

Clicking the "Add your data to the report" link will take you to the "Revenue and expense Item" page, allowing you to enter your company's revenue and expenses in the report. Click on "Continue" and you will get the "Balance sheet items" page to add your company's data. Note: Please enter all values in thousands of dollars, rounded to the nearest tenth. Click the "Add my data to the report" button to generate the report with your company financial details included. Your company data will appear in the first column of the report under the "Your data" column heading.

Once your data has been added to the industry data, your options are as follows: click the "Export report to Excel" link, or click on "Change criteria" button, or click on "Return to Financial Performance Data" link or click on the "Help" link.

If you choose not to add your company's data your options are as follows: click the "Export your report to Excel" link, click on "Change criteria" button, click on "Return to Financial Performance Data" link or click on the "Help" link.

Detailed information on the financial sections

Revenue and expenses section

This section of the report contains revenue and expense items that can be found in an income statement. This section appears in all reports regardless of the "Incorporated status" selected. You will find all your selected variables on your report. If no data is available, the variable will be populated with N/A. Values are presented in thousands of dollars, or as a percentage depending on your value selection. Definitions for revenue and expense items appearing in the report can be obtained by clicking on their link.

Balance sheet section

This section of the report contains asset, liability and equity items that can be found in a balance sheet. This section also appears on the report regardless of the "Incorporated status" selected. You will find all your selected variables on your report. If no data is available, the variable will be populated with N/A. Values are presented in thousands of dollars, or as a percentage depending on your value selection. Definitions for balance sheet and income statement items appearing in the report can be obtained by clicking on their link.

Financial ratios section

This section of the report contains a variety of ratios that are calculated using variables from other report sections. This section also appears on the report regardless of the "Incorporated status" selected. You will find all your selected variables on your report. If no data is available, the variable will be populated with N/A. Definitions for Financial ratios appearing in the report can be obtained by clicking on their link.

Profitable vs Non-profitable businesses section

This section of the report contains total revenues, expenses and net profit/loss broken down between profitable and non-profitable businesses. You will find all your selected variables on your report. If no data is available, the variable will be populated with N/A. This section also provides the percentage of profitable small businesses in the selected industry.

GST/HST BASIC INFORMATION FOR NON-REGISTRANTS

What is GST/HST?

The goods and services tax (GST) is a tax that applies to most sales (supplies) of goods and services made in Canada. The GST also applies to many sales of real property such as land, buildings and interests in such property, intangible personal property such as trademarks, rights to use a patent, and digitized products downloaded from the Internet and paid for individually.

The participating provinces harmonized their provincial sales tax with the GST to implement the harmonized sales tax (HST) in those provinces. Generally, the HST applies to the same base of property goods and services as the GST.

Who charges the GST/HST?

Generally, GST/HST registrants have to collect the GST/HST on all taxable (other than zero-rated) supplies of property and services they provide to their customers. However, there are some exceptions for taxable sales of real property. For details, see Guide RC4022, General Information for GST/HST Registrant, section “Real Property”.

Taxable supplies

Most property and services sold in or imported into Canada are subject to GST/HST. Generally, supply of goods and services fall under one of the following categories:

Category		
Taxable supplies – are supplies of property and services that are made in the course of a commercial activity and are subject to the GST/HST (including zero-rated supplies).	Zero-rated supplies – are supplies of property and services that are taxable at the rate of 0%.	Exempt supplies – are supplies of property and services that are not subject to the GST/HST.

Examples		
<p>Examples of taxable, other than zero-rated, supplies:</p> <ul style="list-style-type: none"> • sale of new housing • sales and rentals of commercial real property • taxi or commercial ride-sharing services • franchises • hotel accommodation 	<p>Examples of supplies taxable at 0%:</p> <ul style="list-style-type: none"> • basic groceries such as milk, bread, and vegetables • most farm livestock and fishery products for human consumption • prescription drugs and drug-dispensing services • exports 	<p>Examples of exempt supplies:</p> <ul style="list-style-type: none"> • a sale of housing that was last used by an individual as a place of residence • child care services – primary purpose is to provide care and supervision to children 14 years of age or under for periods of less than 24 hours per day • music lessons

What to do if you are a GST/HST registrant		
<p>Taxable supplies</p> <ul style="list-style-type: none"> • You collect tax at the applicable HST rate when you make taxable supplies in participating provinces or collect the GST at 5% when supplies are in non-participating provinces. • You may be eligible to claim input tax credits (ITCs) to recover the GST/HST paid or payable on purchases you made to provide these supplies. 	<p>Zero-rated supplies</p> <ul style="list-style-type: none"> • GST/HST is charged at a rate of 0%, which means you do not collect the GST/HST on these supplies. • You may be eligible to claim ITCs to recover the GST/HST paid or payable on purchases and services acquired to provide these supplies. 	<p>Exempt supplies</p> <ul style="list-style-type: none"> • You do not charge GST/HST. • You are generally not entitled to claim ITCs to recover the GST/HST paid or payable on purchases and services acquired to provide these supplies. • Generally, you cannot register for the GST/HST if your business provides only exempt supplies.

How does the GST/HST work?

If you are a GST/HST registrant, you generally have to charge and collect the GST/HST on taxable supplies (other than zero-rated supplies) you make in Canada and file regular GST/HST returns to report that tax. In certain cases, you do not have to collect the GST/HST on a taxable sale of real property. For details about the exceptions, please see “How does the GST/HST work” in the Guide RC4022, General Information for GST/HST Registrant.

You can generally claim ITCs on your GST/HST return to recover the GST/HST paid or payable on purchases and expenses to earn your taxable sales including zero-rated supplies.

When you complete your GST/HST return, deduct your ITCs from the GST/HST you charged your customers. The result is your net tax.

If the total amount of GST/HST you charged is more than the amount of GST/HST you paid (ITCs), send us the difference. If the total amount of GST/HST you charged is less than the amount of GST/HST you paid (ITCs), you can claim a refund. For more information on ITCs, see Guide RC4022, General Information for GST/HST Registrant.

Should you register?

You **have to register** for the GST/HST **if both** of the following situations apply:

- You provide taxable supplies in Canada¹.
- You are not a small supplier.

You do not have to register if:

- you are a small supplier;
- your only commercial activity is the sale of real property, other than in the course of a business. Although you do not have to register for the GST/HST in this case, your sale of real property may still be taxable and you may have to charge and collect GST/HST; or
- you are a non-resident who does not carry on business in Canada.

* If your business is registered for the GST, it is also registered for the HST.

¹ Unless your only supplies are of real property sold other than in the course of a business.

Small supplier

You (excluding public service body, taxi businesses and ride-sharing services) are a small supplier and do not have to register if you are a sole proprietor, partnership or a corporation and the total amount of all revenues (before expenses) from your worldwide taxable supplies from all your businesses and those of your associates (if they were associated at the beginning of the particular calendar quarter), is \$30,000 or less in any single calendar quarter and in the last four consecutive calendar quarters.

For information about the total amount of all revenues and associated businesses, see Small supplier in the Guide RC4022, General Information for GST/HST Registrant.

Determining the effective date of registration for small supplier

The effective date of your GST/HST registration depends on when you go over the small supplier threshold amount of \$30,000. If your revenues are over the threshold amount in one calendar quarter, you are considered a registrant and must collect the GST/HST on the supply that made you go over the threshold amount. Your effective date of registration is the day of the supply that made you go over the threshold amount. You must register within 29 days from that day. See table below for examples:

	Gross sales income (taxable supplies)		
	Scenario 1	Scenario 2	Scenario 3
First quarter (Jan 1 to Mar 31, 2018)	\$2,000	\$25,000	\$2,000
Second quarter (April 1 to June 30, 2018)	\$10,000	\$25,000	\$10,000
Third quarter (July 1 to Sep 30, 2018)	\$12,000		\$38,000 ²
Fourth quarter (Oct 1 to Dec 31, 2018)	\$8,000		
When to start collecting GST/HST	February 2019 (cease to be a small supplier January 31)	August 2018 (cease to be a small supplier July 31)	On the day of the sale, which made you exceed the limit
Registration required	Within 29 days after making a sale other than as a small supplier	Within 29 days after making a sale other than as a small supplier	Within 29 days of exceeding the limit

² As the \$30,000 limit was exceeded on September 23, GST/HST has to be collected on the sale that exceeded the limit and all future sales, even if you are not registered.

Mandatory Registration

Taxi operators, commercial ride-sharing drivers and non-resident performers selling admissions to seminars, performances, and other events must register for the GST/HST, even if they are under the \$30,000 threshold.

Voluntary registration

If you are a small supplier and you are engaged in a commercial activity in Canada, you can choose to register voluntarily. If you register voluntarily, your effective date of registration is usually the date you applied to be registered. However, we will accept an earlier effective date,

provided that the date is within 30 days of the date the application for registration is received, regardless of the method of registration.

Once you are registered, you have to charge and remit the GST/HST on your taxable supplies of property and services, and you may be eligible to claim ITCs for the GST/HST paid or payable on purchases related to these supplies.

If you already charged GST/HST on your sales for more than 30 days before setting up your GST/HST account, call **1-800-959-5525** for further information.

You have to stay registered for at least one year before you can ask to cancel your registration.

If you choose not to register, you do not charge the GST/HST (other than on certain taxable supplies of real property), and you cannot claim ITCs.

How to register

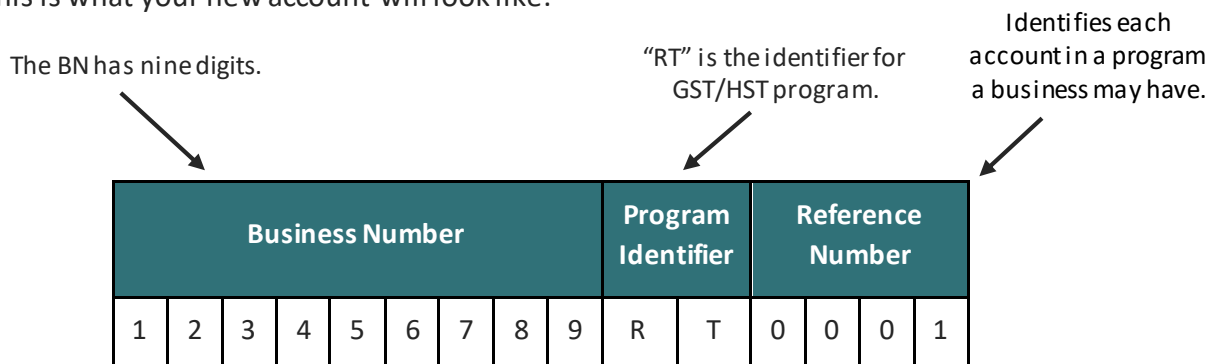
Before you register for a GST/HST account, you will need to get a business number (BN). Your BN will be your business identification for all your dealings with the CRA. Once you have your BN, use it to register for the GST/HST. You will be assigned a GST/HST program account and will receive a GST/HST registration confirmation letter.

To find out how to get a business number and GST/HST account, go to canada.ca/business-number.

If you are incorporated, you may already have a BN and a corporate income tax account.

Your GST/HST program account

This is what your new account will look like.



*** Note**

It is the person or business entity that registers for the GST/HST. For example, it is the partnership that registers and not each partner.

If the physical location of your business is in Quebec, contact Revenu Québec at **1-800-567-4692**.

More information

You can find answers to most general questions relating to the GST/HST in Guide RC4022, General Information for GST/HST Registrants or at the following webpages:

- canada.ca/gst-hst
- canada.ca/cra-video-gallery
- canada.ca/my-cra-business-account
 - You can manage your GST/HST account online through My Business Account – File or adjust a return, account balance and activities, installment payment calculator, enquiries service and other services.

GST/HST BASIC INFORMATION FOR REGISTRANTS

What is GST/HST?

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The participating provinces harmonized their provincial sales tax with the GST to implement the harmonized sales tax (HST) in those provinces. Generally, the HST applies to the same base of goods and services as the GST.

Taxable supplies

Most property and services sold in or imported into Canada are subject to GST/HST. Generally, supply of goods and services fall under one of the following categories:

Category		
Taxable supplies – are supplies of property and services that are made in the course of a commercial activity and are subject to the GST/HST (including zero-rated supplies).	Zero-rated supplies – are supplies of property and services that are taxable at the rate of 0%.	Exempt supplies – are supplies of property and services that are not subject to the GST/HST.
Examples		
Examples for taxable, other than zero-rated, supplies : <ul style="list-style-type: none">• sale of new housing• sales and rentals of commercial real property• taxi or commercial ride-sharing services• franchises• hotel accommodation	Examples of supplies taxable at 0% : <ul style="list-style-type: none">• basic groceries such as milk, bread, and vegetables• most farm livestock and fishery products for human consumption• prescription drugs and drug-dispensing services• exports	Examples for exempt supplies : <ul style="list-style-type: none">• a sale of housing that was last used by an individual as a place of residence• child care services – primary purpose is to provide care and supervision to children 14 years of age or under for periods of less than 24 hours per day• music lessons

What to do if you are a GST/HST registrant

Taxable supplies

- You collect tax at the applicable HST rate when you make taxable supplies in participating provinces or collect the GST at 5% when supplies are in non-participating provinces.
- You may be eligible to claim input tax credits (ITCs) to recover the GST/HST paid or payable on purchases you made to provide these supplies.

Zero-rated supplies

- GST/HST is charged at a rate of 0%, which means you do not collect the GST/HST on these supplies.
- You may be eligible to claim ITCs to recover the GST/HST paid or payable on purchases and services acquired to provide these supplies.

Exempt supplies

- You **do not** charge GST/HST.
- You are generally **not** entitled to claim ITCs to recover the GST/HST paid or payable on purchases and services acquired to provide these supplies.
- Generally, you **cannot** register for the GST/HST if your business provides only exempt supplies.

Collecting the GST/HST

As a GST/HST registrant, you are responsible for collecting the GST/HST when you make taxable supplies (other than zero-rated supplies) of property and services in Canada. You hold this tax in trust until you send it to us.

* Important

You cannot use the GST/HST collected as cash flow. The GST/HST amounts that you collect from your customers must be paid in full when owed.

Sales invoices

You are required to provide customers specific information on the invoices, receipts, contracts or other business papers that you use when you supply taxable property and services. If they are registered, they need this information to support their claims for ITCs or rebates for the GST/HST you charged. Similarly, when you make business purchases, the invoices from your suppliers will support your claims for ITCs. If your customers ask you for an invoice or receipt so they can claim ITCs, you have to give them specific information, depending on the amount of the sale. For details, see the following chart.

Input tax credit information requirements chart			
Information required	Total sale under \$100	Total sale of \$100 to \$499.99	Total sale of \$500 or more
Your business or trading name	✓	✓	✓
The invoice date or, if you do not issue an invoice, the date on which the GST/HST is paid or payable	✓	✓	✓
The total amount paid or payable	✓	✓	✓
An indication of the total amount of the GST/HST charged or that the amount paid or payable for each taxable supply (other than zero-rated supplies) includes the GST/HST at the applicable rate	not applicable	✓	✓
When you supply items taxable at the GST rate and one of the HST rates, a breakdown of which items are taxed at the GST rate and which are taxed at the applicable HST rate	not applicable	✓	✓
Your business number or your intermediary's business number	not applicable	✓	✓
The buyer's name or trading name or the name of the buyer's duly authorized agent or representative	not applicable	not applicable	✓
A brief description of the goods or services	not applicable	not applicable	✓
The terms of payment	not applicable	not applicable	✓

Input tax credits (ITCs)

As a registrant, you recover the GST/HST paid or payable on your purchases and expenses related to your commercial activities by claiming an ITC on **line 108** if you are filing electronically or on **line 106** if you are filing a paper GST/HST return.

You may be eligible to claim ITCs only to the extent that your purchases and expenses are for consumption, use, or supply in your commercial activities. There are some purchases and expenses for which you **cannot** claim an ITC, such as:

- certain capital property. For more information, see Claiming ITCs for capital property and Claiming ITCs for capital real property in the Guide RC4022, General Information for GST/HST Registrants;
- taxable supplies of property and services bought or imported to make exempt supplies of property and services;
- membership fees or dues to any club whose main purpose is to provide recreation, dining, or sporting facilities (including fitness clubs, golf clubs, and hunting and fishing

clubs), unless you acquire the memberships to resell in the course of your business; and

- property or services you bought or imported for your personal consumption, use, or enjoyment.

To claim an ITC, the expenses or purchases must be reasonable in quality, nature, and cost in relation to the nature of your business.

If you are a new registrant, you may be able to claim an ITC for the GST/HST paid or payable on property such as capital property and inventory that you have on hand on the day you register. For more information, see “New registrants” in the Guide RC4022, General Information for GST/HST Registrants.

Time limits for claiming ITCs

Most registrants claim their ITCs when they file their GST/HST return for the reporting period in which they made their purchases. However, you may have ITCs that you did not claim when you filed the return for the corresponding reporting period. If so, you can claim those previously unclaimed ITCs on a future GST/HST return. ITCs must be claimed by the due date of the return for the last reporting period that ends within four years after the end of the reporting period in which the ITC could have first been claimed.

Simplified method for claiming ITCs

The simplified method for claiming ITCs is another way for eligible registrants to calculate their ITCs, when completing their GST/HST return using the regular method of filing.

When you use the simplified method for claiming ITCs, you do not have to show the GST/HST separately in your records. Instead, total the amount of your taxable purchases for which you can claim an ITC and apply the applicable GST or HST rate. You still have to keep the usual documents to support your ITC claims in case we ask to see them.

If you qualify, you can start using the simplified method for claiming ITCs at the beginning of a reporting period. You do not have to file any forms to use it. Once you decide to use this method, you have to use it for at least one year if you continue to qualify.

For eligibility or other information about the method, please see Guide RC4022, General Information for GST/HST registrant, Input tax credits, Simplified Method of claiming ITCs.

Calculating your net tax

You have to calculate your net tax for each GST/HST reporting period and report this on your GST/HST return. To do so, calculate:

- the GST/HST **collected or that became collectible** by you on your taxable supplies made during the reporting period; and
- the GST/HST **paid and payable** on your business purchases and expenses for which you can claim an ITC.

The difference between these two amounts, including any adjustments, is called your net tax. If you charged or collected more GST/HST than the amount paid or payable, send us the difference. If the GST/HST paid or payable is more than the GST/HST you charged or collected, you can claim a refund of the difference.

Quick method of accounting

The quick method of accounting is another way to calculate the GST/HST you have to remit. With the quick method, you charge and collect the GST/HST on taxable property and services you supply to your customers in the usual way. However, to calculate the net GST/HST to remit, you multiply your taxable supplies (including the GST or HST) made during the reporting period by the applicable quick method remittance rate(s). The remittance rates are less than the GST/HST rates of tax that you charge. This means that you remit only a part of the tax that you charge or collect. The part that is not remitted under this method is reported as income on your income tax return. You cannot claim ITCs for your operating expenses if you use the quick method.

For eligibility, remittance rate, and other important information about this method, see Guide RC4058, Quick Method of Accounting for GST/HST.

GST/HST returns

Filing and remitting due dates

- Monthly and quarterly filers - you have to file your GST/HST return and remit any amount owing no later than one month after the end of your reporting period.
- Annual filers - you usually have to file your return and remit any amount owing no later than three months after the end of your fiscal year.

* Exception

Your GST/HST payment is due by April 30 if all of the following conditions are met:

- you are an individual with business income for income tax purposes;
- you file annual GST/HST returns; and
- you have a December 31 fiscal year-end.

Although your payment is due April 30, you have until June 15 to file your GST/HST return.

Filing nil returns

File a GST/HST return for every reporting period, even if you have no net tax to remit and are not expecting a refund. In other words, even if you have no business transactions in a reporting period, you still have to file a return. Otherwise, you may experience delays in getting refunds and you could receive a failure to file reminder notice.

More information

You can find answers to most general questions relating to the GST/HST in Guide RC4022, General Information for GST/HST Registrants, or at the following webpages:

- canada.ca/gst-hst
- canada.ca/cra-video-gallery
- canada.ca/my-cra-business-account
 - You can manage your GST/HST account online through My Business Account – File or adjust a return, account balance and activities, installment payment calculator, enquiries service and other services.

PAYROLL – BASIC INFORMATION

Employee or self-employed?

It is important to determine whether people who work for you are **employees** or **self-employed individuals**. The facts of the working relationship as a whole decide the employment status (e.g. the carrying out the work, relationship of subordination and degree of control or independence).

If you are not sure of a worker's employment status, **request a ruling**. Find out how at canada.ca/payroll.

Get a business number and a payroll account

Before you register for a payroll account, you will need a business number (BN). Your BN will be your business identification for all your dealings with the Canada Revenue Agency (CRA). When you register for the payroll account, you will be assigned a payroll deductions program account. To find out how to get a business number or a payroll account, go to canada.ca/business-number.

Your payroll deductions program account

This is what your new account number should look like.

The BN has nine digits.

“RP” is the identifier for payroll deductions program.

Business Number									Program Identifier		Reference Number			
1	2	3	4	5	6	7	8	9	R	P	0	0	0	1

Identifies each account in a program a business may have.

Common payroll errors

1

Employers don't remit their source deductions by the due date.

- As an employer, you are deemed **to hold in trust**, amounts that are deducted from employees and other individuals. If you do not remit these deductions, the CRA will assess you the amount owing and ask you to pay the full balance immediately, including any penalties and interest that apply.
- A remittance includes all of the following:
 - the source deductions you had to withhold (income tax, CPP contributions and EI premiums)
 - your share of CPP and EI, if applicable

2

The deduction amounts on the information returns (T4 slips and summary) that you file do not equal the amounts remitted to the CRA throughout the year. Make sure that the totals you report on your T4 Summary agrees with the totals you report on your T4 slips.

3

Employers **fail to report or incorrectly report taxable benefits** such as bonuses, commissions, vehicle allowances or personal living expenses.

- You must report the income (including the value of taxable benefits) and deductions on a T4 slip.
- When you provide a benefit by virtue of an individual's employment, such as an automobile, allowance, club membership, gift or award, the benefit may be taxable, pensionable and, if paid in cash, insurable.
- If you pay self-employed commissions, fees or other amounts for services, such as lump-sum payments, you have to report these amounts on a T4A slip.

Milestones for payroll

Hiring employees

- ✓ Register for a payroll program account, if you don't already have one.
- ✓ Get your employees' social insurance number **within three days** of when they start to work for you.
- ✓ Ask your employees to fill out a TD1 form **within seven days** of when they start to work for you.

Remitting source deductions

- ✓ It depends on what type of remitter you are and when you pay your employees.
In most cases, you have to remit your source deductions **by the 15th of the month after you pay or give remuneration to your employees**. If you are a new small employer, different rules may apply.

Filing a T4/T4A return

- ✓ File a T4 or T4A information return
 - ✓ Send information slips to your employees each year **by the last day of February** following the year that the information slips apply to.
- * Our Internet filing applications are convenient, free and secure. More information is available at canada.ca/payroll.*

If your business stops operating

- ✓ Send all CPP contributions, EI premiums and income tax deductions to your tax centre **within seven days** of the day your business ends.
 - ✓ Calculate the pension adjustment that applies to your employees.
 - ✓ Meet provincial or territorial labour standards.
 - ✓ Issue a Record of Employment for each former employee, generally **within five calendar days** after the end of the final pay period.
 - ✓ Fill out and file all information returns **within 30 days** of the date your business ends.
 - ✓ Give copies of the slips to your former employees.
 - ✓ Close the business number and CRA business accounts.
-

Forms, publications and more information

Go to canada.ca/cra-forms-publications and search for the following publications:

- T4001, Employers' Guide – Payroll Deductions and Remittances
- T4130, Employers' Guide – Taxable Benefits and Allowances
- T4002, Business and Professional Income
- RC4110, Employee or Self-employed?

Related links:

- canada.ca/payroll
- canada.ca/cra-video-gallery
- canada.ca/my-cra-business-account
 - You can manage your payroll account online through My Business Account. This includes filing a return or viewing the status of a return, viewing an account balance, remitting requirements and account transactions and requesting a CPP/EI ruling.

BOOKS AND RECORDS LEGISLATION (KEY POINTS)

Who has to keep records?

- persons carrying on a business or engaged in commercial activity;
- persons required to pay or collect taxes or other amounts such as payroll deductions and goods and services tax/harmonized sales tax (GST/HST) under the *Income Tax Act*, the *Excise Tax Act*, the *Excise Act 2001*, the *Employment Insurance Act*, the *Canada Pension Plan*, the *Air Travellers Security Charge Act* and the *Softwood Lumber Products Export Charge Act, 2006 (SLPECA)*;
- persons required to file an income tax or GST/HST return.

Types of records

- books, records, and supporting documents produced and kept in paper format;
- books, records, and supporting documents produced on paper, and later converted to and stored in an electronically accessible and readable format; and
- electronic records and supporting documents produced and kept in an electronically accessible and readable format.

Record retention

You have to keep all of the records and supporting documents that are required to determine your tax obligations and entitlements for a period of six years.

- See weblink: canada.ca/taxes-records
- Go to canada.ca/cra-forms-publications and search for:
 - IC78-10R5 Books and Records Retention/Destruction
 - IC05-1R1 Electronic Record Keeping

Record requirements

- be reliable and complete;
- provide you with the correct information you need to assist in fulfilling your tax obligations and to calculate your entitlements;
- be substantiated by supporting documents to verify the information contained in the records; and
- include other documents, such as appointment books, logbooks, income tax and goods and services tax/harmonized sales tax (GST/HST) returns, scientific research and experimental development (SR&ED) vouchers and records, and certain accountants' working papers, that assist in determining your obligations and entitlements.

* Persons carrying on more than one business must keep separate records for each business.

Payroll records

See weblink: canada.ca/payroll

GST/HST records

See weblink: canada.ca/gst-hst

HELPFUL TIPS

► **Getting it right from the start**

Keeping your documentation clean and organized from the beginning will make it easier to track your books and records.

► **Setup a system**

It can be a simple electronic spreadsheet where you keep track of all the revenues and expenses.

► **Backups**

Constant backups of important files is an excellent precaution.

► **Bank statements**

Keeping monthly printouts of bank statements as they occur or saving them on your hard drive will save costs as you will not have to pay fees to get the original statements.

► **Receipts**

Keep all your original receipts. Scanning or photocopying your receipts can ensure that you are able to keep them for six years without the ink fading.

► **Having a breakdown of your expenses**

This will make it easier to support your expense claims. (This includes keeping the calculations for the business and personal portion of certain expenses.)

► **Important dates and deadlines**

Keeping a simple reminder in an electronic calendar for days your payments are due to not incur late penalties, or use the “CRA Business Tax Reminders” on your smartphone.

► **Business account**

Open a separate bank account for your business to better track expenses made for the business.

► **Separate credit card**

Obtaining a credit card that is used solely for business purposes can help you separate business expenses.

► **Business events/trips journal**

Having a record of all the events and trips can help substantiate claims.

► **Claiming Meals & Entertainment expenses**

Make sure to document who attended and the purpose of the meal or outing.

► **Vehicles**

Record when and why the vehicle was used for the business and apply the percentage to the related expenses.

► **Gifts**

Make sure to document to whom and reason.

► **Home Office**

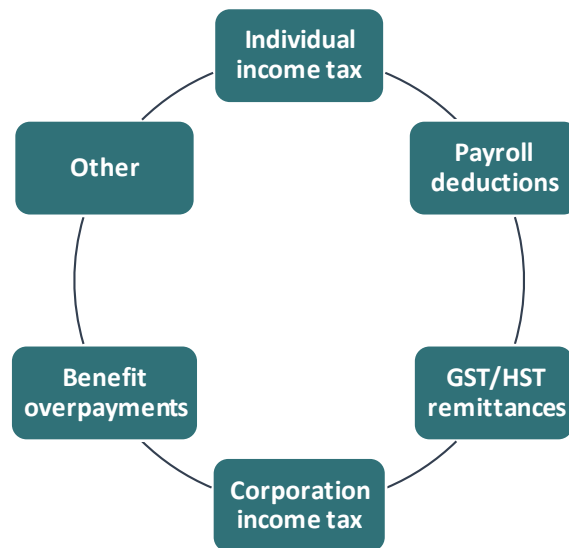
Calculate the percentage of the home being used for business and apply it to the related expenses.

WHEN YOU OWE MONEY – COLLECTIONS AT THE CRA

BASIC INFORMATION FOR TAXPAYERS

What amounts does the Canada Revenue Agency collect?

The Canada Revenue Agency (CRA) collects amounts owing such as:



What if you owe an amount and want to pay in full?

Paying **at once and in full** helps you avoid:

- Interest
- other legal and financial consequences

There are **three ways you can pay** if you owe an amount:

- online, the easiest way to pay
- at your financial institution
- by mail

What if you cannot pay your individual tax debt in full now?

If you **cannot pay** the amount you owe on your individual tax debt in full now, you may qualify for a **payment arrangement**.

A payment arrangement:

- is an agreement you make with the CRA;
- allows you to make smaller payments over time until you have paid your entire debt; and
- includes the interest you owe on your debt.

There are **three ways to set up a payment arrangement**:

1 Pre-authorized debit

- fast and easy
- can do it through MyAccount
- no need to speak with the CRA, in most cases

2 TeleArrangement

- through our automated TeleArrangement service
- only available during a specific period of time during the week
- need to provide information to use this service

3 Speak with an agent

- by receiving a call from the CRA after you send an “Individual tax debt call request”
- by calling the CRA at 1-888-863-8657

Taxpayer relief provisions for individuals

If you cannot pay your individual tax debt in full now, you may be able to **ask for relief from penalties and interest charges** and reduce the overall amount owed by you or your business.

More information

For more information about collections at the CRA, go to canada.ca/cra-collections.

CRA'S E-SERVICES, RECOMMENDED PUBLICATIONS AND MORE

Mobile apps

The following CRA mobile apps are available for download:

- **CRA BizApp** offers secure access to view accounting transactions, pay outstanding balances and more. canada.ca/cra-biz-app
- **CRA Business Tax Reminders** is a tool for businesses to create custom reminders and alerts for key due dates related to instalment payments, tax returns and remittances.

For more information, go to canada.ca/cra-mobile-apps.

CRA Multimedia library

The CRA offers a number of video and audio products about our services and programs, such as:

- “Keeping your business on track” webinar
- “Payroll 101 – What you need to do if you’re new to payroll administration” webinar
- “GST/HST What you need to know if you sell taxable goods and services” webinar

For more titles, go to canada.ca/cra-video-gallery.

Make a payment to the CRA

With this service, you will be able to make a payment and learn about payment methods, collections and transferring payments within your accounts. For more information, go to canada.ca/payments.

More information

- **Voluntary Disclosures Program** gives you a second chance to change a tax return you previously filed or to file a return that you should have filed. For more information, go to canada.ca/taxes-voluntary-disclosures.
- **T1 Adjustment Request** lets you request a change to an individual income tax return. For more information, go to canada.ca/cra-forms-publications and choose “T1-ADJ.”
Note: My Account allows you to change your return online more quickly.
- **Informant Leads Program:** If you suspect a person, business or charity of tax cheating in Canada, report them to the CRA. For more information, go to canada.ca/taxes-leads.

Benchmarks – Financial Performance Data

Go to ic.gc.ca/eic/site/pp-pp.nsf/eng/home and create a report to view financial performance data by industry, with an option to include your own business income statement and balance sheet information in the report.

Recommended CRA publications and webpages

Go to canada.ca/cra-forms-publications and search for:

Guides	Income tax information circular
<ul style="list-style-type: none">• T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income• T4001, Employers' Guide – Payroll Deductions and Remittances• T4130, Employers' Guide – Taxable Benefits and Allowances• RC4022, General Information for GST/HST Registrants• RC4070, Information for Canadian Small Businesses• RC4110, Employee or Self-employed?	<ul style="list-style-type: none">• IC78-10R5, Books and Records Retention/Destruction
	Webpages
	<ul style="list-style-type: none">• canada.ca/revenue-agency• canada.ca/gst-hst• canada.ca/payroll• canada.ca/cra-collections• canada.ca/taxes-records• canada.ca/cra-electronic-services

Telephone numbers - CRA

- Businesses and self-employed individuals enquiries: **1-800-959-5525**
- Individual tax enquiries: **1-800-959-8281**

Register for My Account!

What is My Account?

My Account is your one-stop online Canada Revenue Agency service channel.

It allows you to:

- track your refund,
- view or change your return,
- check your benefit and credit payments,
- change your address,
- view your RRSP limit,
- set up direct deposit,
- receive mail notifications,
- automatically fill in parts of your tax return,
- and so much more!

To register go to

canada.ca/my-cra-account

1

Choose 1 of 2 ways to register for My Account:

- using one of our Sign-In Partners
- creating a CRA user ID & password

2

To register you will need your:

- social insurance number
- date of birth
- current postal code or zip code
- current and previous tax returns

3

Enter your CRA security code

Once you receive your CRA security code, return to My Account, log in and enter your security code when prompted.

You now have full access to all the My Account features!

RC655 (19)



Canada Revenue
Agency

Agence du revenu
du Canada

Canada 

Inscrivez-vous à Mon dossier!

Qu'est ce que Mon dossier?

Mon dossier, c'est la voie de service en ligne tout-en-un de l'Agence du revenu du Canada. Ce service vous permet de :

- faire le suivi de votre remboursement;
- consulter ou modifier votre déclaration;
- vérifier vos paiements de prestations et de crédits;
- changer votre adresse;
- visionner votre cotisation maximale à un REER;
- vous inscrire au dépôt direct;
- recevoir des avis par courriel;
- remplir automatiquement certaines parties de votre déclaration de revenus;
- et beaucoup plus encore!

Pour vous inscrire, allez à

canada.ca/mon-dossier-arc

1

Vous pouvez choisir une de deux façons de vous inscrire à Mon dossier :

- au moyen d'un de nos partenaires de connexion
- en créant un ID utilisateur et un mot de passe de l'ARC

2

Pour vous inscrire, il vous faut :

- votre numéro d'assurance sociale
- votre date de naissance
- votre code postal ou code ZIP actuel
- vos déclarations de revenus actuelles et des années précédentes

3

Entrez votre code de sécurité de l'ARC

Après avoir reçu votre code de sécurité de l'ARC, retournez à Mon dossier, ouvrez une séance et entrez votre code de sécurité lorsque le système vous le demandera.

Vous avez maintenant accès à toutes les fonctions de Mon dossier!



Agence du revenu
du Canada

Canada Revenue
Agency

Canada

Register for CRA's digital services for business!

Managing your company's tax affairs is fast and easy with My Business Account and the CRA BizApp!

What is My Business Account?

My Business Account is a Canada Revenue Agency (CRA) online portal that allows you to:

- receive your mail online
- submit documents
- view balances
- transfer payments
- get answers to your questions
- and so much more!

To register go to

canada.ca/my-cra-business-account

1

Choose 1 of 2 ways to register:

- using one of our Sign-In Partners
- using a CRA user ID & password

2

To register you will need your:

- social insurance number
- date of birth
- current postal code or ZIP code
- tax returns from the current and previous year
- business number

3

Log-in and enter your CRA security code

Once you receive your CRA security code, log-in to My Business Account and enter your security code when prompted.

When fully registered for My Business Account, you will also have instant access to the CRA BizApp, which is a mobile web application for small business owners and sole proprietors that offers secure access to make payments, view accounting transactions, and more.

Make life easier by doing your business transactions online with the CRA's secure digital services!

Check out our video on how to register for My Business Account at: canada.ca/my-business-account-video

Inscrivez-vous aux services numériques pour les entreprises de l'ARC!

La gestion des affaires fiscales de votre entreprise est rapide et facile grâce au service Mon dossier d'entreprise et à l'application BizApp ARC!

Qu'est-ce que Mon dossier d'entreprise?

Mon dossier d'entreprise est un portail en ligne de l'Agence du revenu du Canada (ARC) qui vous permet de faire ce qui suit :

- recevoir votre courrier en ligne;
- soumettre des documents;
- voir vos soldes;
- transférer des paiements;
- obtenir des réponses à vos questions;
- et bien plus encore!

Pour vous inscrire, allez à

canada.ca/mon-dossier-entreprise-arc

1 Choisissez l'une des deux façons suivantes de vous inscrire :

- Utiliser l'un de nos partenaires de connexion.
- Utiliser un ID utilisateur et un mot de passe de l'ARC.

2 Vous avez besoin de fournir les renseignements suivants :

- votre numéro d'assurance sociale;
- votre date de naissance;
- votre code postal ou code ZIP actuel;
- vos déclarations de revenus de l'année en cours et de l'année précédente;
- votre numéro d'entreprise.

3 Ouvrez une session, puis entrez votre code de sécurité qui vous a été fourni par l'ARC.

Une fois que vous aurez reçu votre code de sécurité de l'ARC, ouvrez une session dans Mon dossier d'entreprise et saisissez votre code de sécurité lorsque vous êtes invité à le faire.

Lorsque vous aurez terminé votre inscription à Mon dossier d'entreprise, vous aurez instantanément accès à BizApp ARC, une application Web mobile pour les propriétaires de petites entreprises et les propriétaires uniques. Elle offre un accès sécurisé pour faire des paiements, consulter des transactions comptables, et bien plus encore.

Simplifiez-vous la vie en effectuant vos transactions d'entreprise en ligne avec les services numériques sécurisés de l'ARC!

Jetez un coup d'œil à notre vidéo qui porte sur la façon de s'inscrire à Mon dossier d'entreprise à l'adresse suivante : canada.ca/mon-dossier-entreprise-video



Agence du revenu
du Canada

Canada Revenue
Agency

Canada

Beware of tax schemes that promise to reduce your taxes



What is a tax scheme?

Tax schemes are plans and arrangements that attempt to deceive taxpayers by promising to reduce the taxes they owe, either through large deductions, or through promising tax free income. Schemes can also include other creative ways to convince people to pay less than what they owe.

“Promoters” are individuals or corporations who promote or sell schemes that seek to break or bend the rules of the Canadian tax laws. These promoters deliberately make false statements to assist their clients in tax cheating, all the while obtaining a financial benefit. Visit this site regularly to make sure you have the most up-to-date information available from the Canada Revenue Agency (CRA).

How to recognize a tax scheme

As Canadians get ready to file their taxes, the CRA reminds everyone to be cautious of tax schemes.

Here are some common elements of tax schemes:

- they are positioned as financial products or business opportunities
- they are advertised (internet, social media, newspapers, fliers sent to households)
- there is often a sales pitch (free info session, paid seminar, webinars)
- they promise tax savings which often include large returns on small investments
- a portion of the anticipated tax refund is the promoter’s fee
- they seem “too good to be true”

Promoters of tax schemes are often polished and professional, and go to great lengths to make the schemes look legitimate.

Here is the general profile of a tax promoter:

- very personable and charming
- delivers polished presentations
- can be an individual or a group
- will receive a commission or payment from you and/or your investment
- may claim the scheme is approved by the CRA
- provides letters from professionals
- discourages you to seek a second opinion
- discourages you to speak with the CRA

If you are approached by a tax preparer who offers unusually or uncharacteristically large refunds, this can mean questionable practices. Do not assume that these schemes and the promised tax benefits are legal under the Income Tax Act. While most preparers provide excellent service to tax filers, there are dishonest ones who file false or fraudulent tax returns. If you suspect anything suspicious, get a second opinion.

Remember that even if someone else prepares your tax return, you are responsible for all the information on the return.

Your actions may have serious consequences

Through increased audits of promoters, improved information gathering and informing taxpayers on how to recognize tax schemes, the CRA continues to identify and shut down tax schemes.

Those who choose to participate in these schemes, as well as those who promote these schemes, face serious consequences, including penalties, court fines and even jail time. Also, as a participant, you could end up being assessed additional taxes in addition to the fee you already paid to the promoter.

The CRA has a responsibility to regularly update Canadians on current schemes that are offensive under the Income Tax Act and to educate Canadians to avoid these schemes. It is actively going after tax promoters to ensure greater fairness in the tax system. The CRA can apply third-party penalties against tax preparers, promoters, and other third parties who intentionally file or prepare false statements, or omit information on other individuals' income tax returns. The CRA will also investigate and prosecute those who promote and counsel others to commit tax evasion.

What can you do?**Get professional, independent advice**

Get a second opinion. If you are being sold or proposed a deal that seems too good to be true, you should seek independent advice from a reputable tax professional. Ask questions or enquire further before submitting your return.

Here are some other tips to help protect yourself:

- Be informed about who you are dealing with at tax time and what their qualifications are.
- Stay away from tax preparers who offer you false tax claims such as charitable donations, child care expense claims, or even business expenses or losses. It is not worth the risk. There are serious consequences to you.
- If you don't understand your return, don't be shy about asking questions.
- Make sure the tax preparer gives you a copy of your return for your records.
- Never sign a blank tax form.
- Generally, if it sounds too good to be true, it probably is.

Come to us before we come to you

The CRA is always on the lookout for tax schemes and is also focusing on the promoters of these schemes. Did you willingly participate in one? If so, the CRA encourages taxpayers to come forward and correct their tax affairs through the Voluntary Disclosures Program.

If you make a full disclosure before any enforcement action is started and before the CRA receives information regarding your potential involvement in tax non-compliance, you may only have to pay the taxes owing plus interest in part or in full and would be eligible for relief from prosecution and, in some cases, from penalties.

Help us ensure tax fairness for all Canadians

Your tax dollars fund social programs that benefit our communities. People who evade taxes are taking resources away from all Canadians.

If you suspect someone of tax cheating, you can report a lead to the CRA. Steps will be taken to protect your identity, also, you may provide information anonymously. Information related to suspected international tax cheating should be submitted to the Offshore Tax Informant Program.

Did you know?

- The Government of Canada has made it clear that it is cracking down on this type of activity with a historic investment into the CRA to provide the tools and resources it needs to pursue those who try to sell these schemes.
- This investment allowed the agency to expand its Promoter Compliance Centre, which is dedicated to identifying, deterring and unraveling tax avoidance schemes set up by these promoters, through increased audits, business intelligence, communication, and the resources to better warn Canadians against such schemes.

canada.ca/tax-schemes



Statement of Business or Professional Activities

- Use this form to calculate your self-employment business and professional income.
- For each business or profession, fill in a **separate** Form T2125.
- Fill in this form and send it with your income tax and benefit return.
- For more information on how to fill in this form, see guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income.

Part 1 – Identification

Your name				Your social insurance number			
Business name				Business number			
Business address				City		Prov./Terr.	Postal code
Fiscal period	From	Date (YYYYMMDD)	to	Date (YYYYMMDD)	Was this your last year of business? <input type="checkbox"/> Yes <input type="checkbox"/> No		
Main product or service				Industry code (see the appendix in Guide T4002)			
Accounting method (commission only)		<input type="checkbox"/> Cash <input type="checkbox"/> Accrual		Tax shelter identification number		Partnership business number	Your percentage of the partnership %
Name and address of person or firm preparing this form							

Part 2 – Internet business activities

If your web pages or websites generate business or professional income, fill in this part of the form.	
How many Internet web pages and websites does your business earn income from? Enter "0" if none	
Provide up to five main web page or website addresses, also known as uniform resource locator (URL):	
http://	_____
http://	_____
http://	_____
http://	_____
http://	_____
Percentage of your gross income generated from the web pages and websites. (If no income was generated from the Internet, enter "0".) %	

Part 3A – Business income

Fill in this part **only** if you have business income. If you have professional income, leave this part blank and fill in Part 3B.
If you have both business and professional income, you have to fill out a separate Form T2125 for each.

Part 3B – Professional income

Fill in this part **only** if you have professional income. If you have business income, leave this part blank and fill in Part 3A.
If you have both business and professional income, you have to fill out a separate Form T2125 for each.

Note: New rules allow you to include your work in progress (WIP) progressively if you elected to use billed basis accounting for the last tax year that started before March 22, 2017. Generally, for the first tax year that starts after March 21, 2017, you must include 20% of the lesser of the cost and the fair market value of WIP. The inclusion rate increases to 40% in the second tax year that starts after March 21, 2017, 60% in the third year, 80% in the fourth year, and 100% in the fifth and all subsequent tax years. For more information, see chapter 2 of guide T4002.

Part 3A – Business income

Gross sales, commissions, or fees (include GST/HST collected or collectible)	3A
GST/HST, provincial sales tax, returns, allowances, discounts, and GST/HST adjustments (included in amount 3A)	3B
Subtotal: Amount 3A minus amount 3B	3C
If you are using the quick method for GST/HST – Government assistance calculated as follows:	
GST/HST collected or collectible on sales, commissions and fees eligible for the quick method	3D
GST/HST remitted, (sales, commissions, and fees eligible for the quick method plus	
GST/HST collected or collectible) multiplied by the applicable quick method remittance rate	3E
Subtotal: Amount 3D minus amount 3E	3F
Adjusted gross sales: Amount 3C plus amount 3F (enter on line 8000 of Part 3C)	3G

Part 3B – Professional income

Gross professional fees including work-in-progress (WIP) and GST/HST collected or collectible	3H
GST/HST, provincial sales tax, returns, allowances, discounts, and GST/HST adjustments (included in amount 3H) and any WIP at the end of the year you elected to exclude	3I
Subtotal: Amount 3H minus amount 3I	3J
If you are using the quick method for GST/HST – Government assistance calculated as follows:	
GST/HST collected or collectible on professional fees eligible for the quick method	3K
GST/HST remitted, (professional fees eligible for the quick method plus GST/HST collected or collectible) multiplied by the applicable quick method remittance rate	3L
Subtotal: Amount 3K minus amount 3L	3M
Work-in-progress (WIP), start of the year, per election to exclude WIP (see Guide T4002, Chapter 2)	3N
Adjusted professional fees: Amount 3J plus amount 3M plus amount 3N (enter on line 8000 of Part 3C)	3O

Part 3C – Gross business or professional income

Adjusted gross sales (amount 3G) or adjusted professional fees (amount 3O)	8000	
Reserves deducted last year	8290	
Other income	8230	
Subtotal: Line 8290 plus line 8230		3P
Gross business or professional income: Line 8000 plus amount 3P	8299	
Report the gross business or professional income from line 8299 on the applicable line of your income tax and benefit return as indicated below:		
<ul style="list-style-type: none"> • business income on line 13499 • professional income on line 13699 • commission income on line 13899 		

For Parts 3D, 4, and 5, if GST/HST has been remitted or an input tax credit has been claimed, do not include GST/HST when you calculate the cost of goods sold, expenses, or net income (loss).

Part 3D – Cost of goods sold and gross profit

If you have business income, fill in this part. Enter only the business part of the costs.

Gross business income (line 8299 of Part 3C)		3Q
Opening inventory (include raw materials, goods in process, and finished goods)	8300	3R
Purchases during the year (net of returns, allowances, and discounts)	8320	3S
Direct wage costs	8340	3T
Subcontracts	8360	3U
Other costs	8450	3V
Subtotal: Add amounts 3R to 3V		3W
Closing inventory (include raw materials, goods in process, and finished goods)	8500	
Cost of goods sold: Amount 3W minus line 8500	8518	
Gross profit (or loss): Amount 3Q minus line 8518	8519	

Part 4 – Net income (loss) before adjustments**Gross business or professional income** (line 8299 of Part 3C) or **Gross profit** (line 8519 of Part 3D) 4A**Expenses** (enter only the business part)

Advertising	8521		4B
Meals and entertainment	8523		4C
Bad debts	8590		4D
Insurance	8690		4E
Interest and bank charges	8710		4F
Business taxes, licences, and memberships	8760		4G
Office expenses	8810		4H
Office stationery and supplies	8811		4I
Professional fees (includes legal and accounting fees)	8860		4J
Management and administration fees	8871		4K
Rent	8910		4L
Repairs and maintenance	8960		4M
Salaries, wages, and benefits (including employer's contributions)	9060		4N
Property taxes	9180		4O
Travel expenses	9200		4P
Utilities	9220		4Q
Fuel costs (except for motor vehicles)	9224		4R
Delivery, freight, and express	9275		4S
Motor vehicle expenses (not including CCA) (amount 15 of Chart A)	9281		4T
Capital cost allowance (CCA). Enter amount i of Area A minus any personal part and any CCA for business-use-of-home expenses	9936		4U
Other expenses (specify):	9270		4V
Total expenses: Total of amounts 4B to 4V	9368		

Net income (loss) before adjustments: Amount 4A **minus** line 9368 **9369****Part 5 – Your net income (loss)**

Your share of line 9369 or the amount from your T5013 slip, Statement of Partnership Income 5A

GST/HST rebate for partners received in the year **9974**

Total: Amount 5A **plus** line 9974 5B

Other amounts deductible from your share of the net partnership income (loss) (amount 6F) **9943****Net income (loss) after adjustments:** Amount 5B **minus** line 9943 5CBusiness-use-of-home expenses (amount 7P) **9945****Your net income (loss):** Amount 5C **minus** line 9945 **9946**

Report the net income amount from line 9946 on the applicable line of your income tax and benefit return as indicated below:

- business income on line 13500
- professional income on line 13700
- commission income on line 13900

Part 6 – Other amounts deductible from your share of the net partnership income (loss)

Claim expenses you incurred that were not included in the partnership statement of income and expenses, and for which the partnership did not reimburse you. These claims must not be included in the claims already calculated for the partnership.

List details of expenses:

Expense amounts

		6A
		6B
		6C
		6D
		6E
Total other amounts deductible from your share of the net partnership income (loss): Add amounts 6A to 6E (enter this on line 9943 of Part 5)		6F

Part 7 – Calculation of business-use-of-home expenses

Heat		7A
Electricity		7B
Insurance		7C
Maintenance		7D
Mortgage interest		7E
Property taxes		7F
Other expenses (specify):		7G
Subtotal: Add amounts 7A to 7G		7H
Personal-use part of the business-use-of-home expenses		7I
Subtotal: Amount 7H minus amount 7I		7J
Capital cost allowance (business part only), which means amount i of Area A minus any portion of CCA that is for personal use or entered on line 9936 of Part 4		7K
Amount carried forward from previous year		7L
Subtotal: Add amounts 7J to 7L		7M
Net income (loss) after adjustments (amount 5C) (if negative, enter "0")		7N
Business-use-of-home expenses available to carry forward: Amount 7M minus amount 7N (if negative, enter "0")		7O
Allowable claim: The lesser of amount 7M and 7N above (enter your share of this amount on line 9945 of Part 5)		7P

Part 8 – Details of other partners

Do not fill in this chart if you must file a partnership information return.

Name of partner				
Address	Prov./Terr.	Postal code	Share of net income or (loss)	Percentage of partnership
			\$	%
Name of partner				
Address	Prov./Terr.	Postal code	Share of net income or (loss)	Percentage of partnership
			\$	%
Name of partner				
Address	Prov./Terr.	Postal code	Share of net income or (loss)	Percentage of partnership
			\$	%
Name of partner				
Address	Prov./Terr.	Postal code	Share of net income or (loss)	Percentage of partnership
			\$	%

Part 9 – Details of equity

Total business liabilities	9931	
Drawings in the current year	9932	
Capital contributions in the current year	9933	

Area E – Building dispositions in the year

1 Class number	2 Property description	3 Proceeds of disposition (should not be more than the capital cost)	4 Personal part (if applicable)	5 Business part (column 3 minus column 4)
Total building dispositions in the year: Total of column 5				9928

Note: If you disposed of property in the year, see Chapter 3 of guide T4002 for information about your proceeds of disposition.

Area F – Land additions and dispositions in the year

Total cost of all land additions in the year	9923	
Total proceeds from all land dispositions in the year	9924	

Note: You cannot claim capital cost allowance on land. For more information, see Chapter 3 of Guide T4002.

Chart A – Motor vehicle expenses

Kilometres you drove in the fiscal period that was part of earning business income		1
Total kilometres you drove in the fiscal period		2
Fuel and oil		3
Interest (see Chart B)		4
Insurance		5
Licence and registration		6
Maintenance and repairs		7
Leasing (see Chart C)		8
Other expenses (specify):		9
		10
Total motor vehicle expenses: Add amounts 3 to 10		11
Business use part: $\left(\begin{array}{l} \text{amount 1 :} \\ \text{amount 2 :} \end{array} \right) \times \text{amount 11 :}$		12
Business parking fees		13
Supplementary business insurance		14
Allowable motor vehicle expenses: Add amounts 12, 13, and 14 (include this total on line 9281 of Part 4)		15

Note: You can claim CCA on motor vehicles in Area A.

Chart B – Available interest expense for passenger vehicles and zero-emission passenger vehicles

Total interest payable (accrual method) or paid (cash method) in the fiscal period		16
$\$10^* \times \text{the number of days in the fiscal period for which interest was payable (accrual method) or paid (cash method)}$		17
Available interest expense: The lesser of amount 16 and 17 (include this in amount 4 of Chart A)		18

* For passenger vehicles bought after 2000.

Chart C – Eligible leasing cost for passenger vehicles**

Total lease charges incurred in your current fiscal period for the vehicle		19
Total lease payments deducted before your current fiscal period for the vehicle		20
Total number of days the vehicle was leased in your current and previous fiscal periods		21
Manufacturer's list price		22
Use a GST rate of 5% or HST rate applicable to your province.		
Amount 22 or (\$35,294 + GST and PST, or HST on \$35,294), whichever is more	►	23
$[(\$800 + \text{GST and PST, or } \$800 + \text{HST}) \times \text{amount 21}]$	►	24
30		
$[(\$30,000 + \text{GST and PST, or } \$30,000 + \text{HST}) \times \text{amount 19}]$		25
amount 23		
Eligible leasing cost: Whichever is less of amount 24 or 25 (enter in amount 8 of Chart A above)		26

** Includes a vehicle that would qualify as a zero-emission passenger vehicle if you owned it.

See the privacy notice on your return.

Goods and Services Tax / Harmonized Sales Tax (GST/HST) Return Working Copy

Do not use this working copy to file your return or to make payments at your financial institution.

Name										Business number													
										R T													
Reporting period		Year		Month		Day		to		Year		Month		Day		Due date		Year		Month		Day	
From																							

Working copy (for your records)

- Copy your Business number, the reporting period, and the amounts from the highlighted line numbers in this worksheet to the corresponding boxes in your GST/HST return.

Enter your total sales and other revenue . Do not include provincial sales tax, GST or HST. If you are using the Quick Method of accounting, include the GST or HST.	101		00
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Net tax calculation

Enter the total of all GST and HST amounts that you collected or that became collectible by you in the reporting period.	103		
Enter the total amount of adjustments to be added to the net tax for the reporting period (for example, the GST/HST obtained from the recovery of a bad debt).	104		

Total GST/HST and adjustments for period (add lines 103 and 104)

105		
-----	--	--

Enter the GST/HST you paid or that is payable by you on qualifying expenses (input tax credits – ITCs) for the current period and any eligible unclaimed ITCs from a previous period.	106		
Enter the total amount of adjustments to be deducted when determining the net tax for the reporting period (for example, the GST/HST included in a bad debt).	107		

Total ITCs and adjustments (add lines 106 and 107)

108		
-----	--	--

Net tax (subtract line 108 from line 105)

109		
-----	--	--

Other credits if applicable

Do not complete line 111 until you have read the instructions.

Enter any instalment and other annual filer payments you made for the reporting period. If the due date of your return is June 15, see the instructions.	110		
Enter the total amount of the GST/HST rebates , only if the rebate form indicates that you can claim the amount on this line. For filing, information, see instructions.	111		

Total other credits (add lines 110 and 111)

112		
-----	--	--

Balance (subtract line 112 from line 109)

113 A		
-------	--	--

Other debits if applicable

Do not complete line 205 or line 405 until you have read the instructions.

Enter the total amount of the GST/HST due on the acquisition of taxable real property .	205		
Enter the total amount of other GST/HST to be self-assessed .	405		

Total other debits (add lines 205 and 405)

113 B		
-------	--	--

Balance (add lines 113 A and 113 B)

113 C		
-------	--	--

Line 114 and line 115: If the result entered on line 113 C is a negative amount, enter the amount of the refund you are claiming on line 114. If the result entered on line 113 C is a positive amount, enter the amount of your payment on line 115.

Refund claimed	
114	

Payment enclosed	
115	

Instructions

Line 110

Annual filer with a June 15 due date: If you are an individual with business income for income tax purposes and have a December 31 fiscal year-end, the due date of your return is June 15. However, any GST/HST you owe is payable by April 30. This payment should be reported on line 110 of your GST/HST Tax Return.

Line 111: Some rebates can reduce or offset your amount owing. Those rebate forms contain a question asking you if you want to claim the rebate amount on line 111 of your GST/HST Tax Return. Tick **yes** on the rebate form(s) if you are claiming the rebate(s) on line 111 of your GST/HST Tax Return. If you file your return electronically, send the rebate application by mail to the Prince Edward Island Tax Centre.

Line 205: Complete this line **only** if you purchased taxable real property for use or supply primarily (more than 50%) in your commercial activities and you are a GST/HST registrant (other than an individual who purchases a residential complex) or you purchased the property from a non-resident. If you qualify for an input tax credit on the purchase, include this amount on line 108.

Line 405: Complete this line **only** if you are a GST/HST registrant who has to self-assess GST/HST on an imported taxable supply or who has to self-assess the provincial part of HST.

Personal information is collected under the *Excise Tax Act* to administer tax, rebates, and elections. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source at cra.gc.ca/gncy/tp/nfsrc/nfsrc-eng.html. Personal Information Bank CRA PPU 241.



SMALL BUSINESS?
SELF-EMPLOYED?

GET FREE TAX HELP
canada.ca/cra-liaison-officer

RC630

Help for small business owners

Wouldn't it be great to know that you are doing things right, before you file your small business tax returns? Through the Liaison Officer service, the Canada Revenue Agency (CRA) offers free in-person support and guidance to small businesses and self-employed individuals to help you meet your tax obligations.

Want to save time and money?

CRA liaison officers are available across Canada to help ensure that business owners like you understand your tax obligations and are aware of possible tax deductions. Liaison officers will also explain how to avoid common errors that could end up costing time and money. You can request an in-person visit, or small business groups can request a seminar.



How does it work?

During a visit or seminar, a liaison officer will:

- Answer tax-related questions (income tax, GST/HST and payroll)
- Discuss business tax deductions
- Explain common tax errors and financial benchmarks for your industry or a comparable one
- Provide an overview of helpful tools and services offered by the CRA
- Explain general bookkeeping concepts and best practices or, during in-person visits, offer advice and help with setting up an effective bookkeeping system for your business.

Book your visit or seminar

For more information or to request a visit or a seminar, go to:

canada.ca/cra-liaison-officer

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