

WHAT EVERY CANADIAN **SMALL BUSINESS** **NEEDS TO KNOW**



AUDIT TRIGGERS &
TAX COMPLIANCE

PROSTRATA•G
YOUR **SMALL BUSINESS BOOKKEEPING** EXPERTS



TALKING ABOUT US?

You Should. It Pays.

Making \$100 bucks probably shouldn't be so easy but... it is.

**ProStrata-G clients that refer a friend or small business receive \$100 off future services, or a \$50 gift card upon new client sign-up.*

● **REFER A BUSINESS**
PROSTRATAG.CA/REFERRAL



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OUR GUIDE

ProStrata-G has compiled this interactive pdf guide to help small businesses stay tax compliant and accurately predict their tax audit vulnerability.

GUIDE USE

Click on **RED** and **YELLOW** links.
NOTE: Charts/graphics will also have helpful links.

CAUTION: Always check the CRA website for the most accurate and up-to-date information.

Notice: Sources for this publication include the CRA website. Details and figures may change without notice. This guide should not be considered the last word on The Canada Revenue Agency Tax Guidelines. For the most up-to-date information and access to government forms, go to www.canada.ca.



FINANCIAL TERMS FOR SMALL BUSINESS

BOOKKEEPING TERMS

Investors, partners, accountants, bookkeepers, and auditors will use basic financial terms. Learning this language will make it easier to plan, understand and communicate your goals with financial professionals.

ACCOUNTS PAYABLE

What you owe to vendors, suppliers, and creditors

ACCOUNTS RECEIVABLE

What customers owe you

ASSET

Anything owned by the business that has a value

BALANCE SHEET

A summary of business' assets and liabilities

CASH FLOW STATEMENT

The amount that flows through a business over a specified period of time.

FINANCIAL STATEMENT

A compilation of four main reports of the business:

- Income statement (Profit & Loss)
- Balance sheet
- Statement of cash flow
- Statement of shareholders' (owner) equity

INCOME STATEMENT/PROFIT AND LOSS

A statement of income and expenses generated by the business over a specified period

LIABILITY

Loans, taxes, accounts payable, and other debts

RETAINED EARNINGS

Profits that a business has earned, that are retained in the business

SHAREHOLDER LOAN

A loan provided by a shareholder to the business

WHEN TO GET BOOKKEEPING HELP

Maintaining your books to audit-ready standards has it's challenges, **so when do you call in the pros?** Consult with a professional early to get started on the best foot. If you're a seasoned entrepreneur, it's always a good plan to meet regularly with a professional bookkeeper who is able to help interpret the numbers and ensure accuracy. Also consider help if:

YOU DREAD/AVOID BOOKKEEPING

Dread and displeasure can significantly increase the chances of making costly mistakes.

YOU ARE WORKING EXTRA HOURS

Building and maintaining a business is time consuming. When time is precious, consider outsourcing your bookkeeping to the experts



AUDIT-READY BOOKKEEPING FOR SMALL BUSINESS

COMMON AUDIT TRIGGERS

FILING LATE

Missing filing deadlines is the most common audit trigger.

SIGNIFICANT INCOME CHANGES

CRA looks for consistency from year to year. Drastic changes in expenses or income may flag your return.

FAILING TO REPORT T-SLIPS

CRA automatically compares slips received from third parties to your individual return. Discrepancies may be flagged for re-assessment.

HOME OFFICE DEDUCTIONS

This is often calculated incorrectly, and is heavily scrutinized in a tax audit.

CLAIMING 100% BUSINESS USE OF VEHICLE

Anything over the industry norm for business vehicle use is also flagged for review. Generally, business owners will use their vehicle for both family and business, so 100% business vehicle use will stand out.

CASH-HEAVY INCOME

CRA carefully compiles industry standards for income. If cash flow appears too high or too low for your industry, CRA will likely ask for clarity.

FAMILY ON PAYROLL

Families are often part of small businesses, but salaries should be within industry standards. CRA may request more information about familial employees.

SUBCONTRACTING

T4As and T5018s have recently gathered more attention from CRA.

EXCESSIVE BUSINESS EXPENSES

High expenses for your industry are a flag for CRA. Meals, travel and advertising are most closely scrutinized and disputed by auditors.

RENTAL PROPERTY LOSSES

Losses may occur occasionally, but year over year loss is going to catch the attention of CRA.

SELF EMPLOYMENT

Small business audits make up 54% of audit revenue.

CHARITABLE DONATIONS

Donation receipt slips will be denied if the charity does not have a Registered Charity Number

YEARS OF NEGATIVE SHAREHOLDER LOAN

CRA does not like negative shareholder loans that might be considered income and taxable.

DISCREPANCIES WITH THIRD PARTY INFORMATION

CRA will know if interest or dividend income is different than the T5 slips filed by your financial institution.

BEING IN A CERTAIN INDUSTRY

Certain industries are targeted by the CRA because there is a large number of cash transactions, such as restaurant and trades.

AUDIT OF A RELATED/ASSOCIATED PARTY

You may face review as a direct result of a relation's or associate's audit.

INFORMANT TIP

CRA will take tax evasion tips seriously. Tips are anonymous and can be submitted by anyone.

AUDIT-READY BOOKKEEPING TIPS

CONNECT TO CRA'S "MY BUSINESS ACCOUNT"

Business owners can access their GST/HST, payroll, corporation income taxes, excise taxes, excise duties and other levies accounts online with ["My Business Account"](#).

Individuals should also register for ["My Account"](#) in order to keep all identity information up to date, receive pertinent tax information, and review tax income balances.

FILE ON TIME

This is the easiest trigger to avoid. Make an appointments with your financial team. Mark your calendar for important filing and remittance dates. Set Calendar Reminders. [See page 7.](#)

COMMUNICATE WITH YOUR FINANCIAL TEAM THROUGHOUT THE YEAR

A short list of common financial terms found [on page 3.](#) can help you communicate clearly. Pre-book appointments early in the year.

STAY ORGANIZED

Not only will this make monthly reconciliation a breeze, but in the eventuality of an audit, you'll save time and money. Use the simple filing structure covered in this guide. [See page 9.](#)

CALCULATE HOME OFFICE EXPENSES CORRECTLY

Taxpayers often get this calculation wrong. To calculate the percentages of expenses you can claim, use our [Home Office Calculator.](#)

KEEP A VEHICLE MILEAGE LOG

We suggest the [Mile IQ App](#) or keep a simple spreadsheet. A [paper ledger](#) is also acceptable. Don't forget to record your mileage at year end.

CAREFULLY DOCUMENT CASH TRANSACTIONS

Cash income and expenses are the hardest to prove in an audit. Reduce cash transactions where possible. Mark notes on receipts and invoices.

FAMILY ON PAYROLL

Keep salaries within industry standards and be sure payroll is for factual work. Be sure to [understand your payroll obligations.](#)

CHARITABLE DONATIONS

Be sure charities are registered, and keep all slips with your tax documents.

CAREFULLY TRACK AR/INVOICE NUMBERS

Non-sequential invoice numbers (or missing invoice numbers in your accounts receivable) are highly suspicious. Be sure to document destroyed or missing invoice numbers and note the reason.

SUBCONTRACTING

If you are a business involved in construction activities and you make payments to subcontractors for construction services, you must file a statement of contract payments. [\(T5018\)](#) If you are not required to file a [T5018](#), you must submit [T4As](#) for your subtrades.

EXCESSIVE BUSINESS EXPENSES

This is monitored by industry as well. High expenses for your industry are a flag for CRA. Meals, travel and advertising are most closely scrutinized and denied in audits.

RENTAL PROPERTY LOSSES

CRA expects that you went into the rental property business to make profit. Losses, year after year will be questioned. [Review the rental Income Guide.](#)

SELF EMPLOYMENT

Small business audits make up 54% of audit revenue. Be sure your bookkeeping is ready for CRA review, including source documents.

GIFTS, REWARDS AND EMPLOYEE BENEFITS

It is the responsibility of small business owners to fully understand the tax implications and to keep proper records of such expenses. [See page 12](#)

BE ACCURATE AND HONEST

The signature on your filed income tax return is an indication of your approval. Always look over the final return, even if prepared by a professional. Double check for accuracy. Ask questions. Ultimately, you will be responsible for errors and omissions.

If your bookkeeping is factual, organized, up-to-date, and tax compliant an audit will likely be a small inconvenience. Those who are not audit-ready, may spend more time and money and face larger unnecessary penalties.



Canada
Agency

CRA TAX COMPLIANCE

WHAT YOU NEED TO KNOW

CRA TAX COMPLIANCE BEST PRACTICES

Whether you are new to business, or have dealt with The Canada Revenue Agency before, you may feel intimidated when it comes to taxes and tax compliance. CRA compliant bookkeeping is crucial in avoiding unnecessary penalties and interest, but there are several points to consider. Whether you're tackling your bookkeeping solo (DIY), or with a [Quickbooks Certified ProAdvisor](#), the following is an outline of CRA compliance best practices.

FILE ON TIME

Filing deadlines are non-negotiable with The Canada Revenue Agency. It is your responsibility to file on time, everytime. GST, RST, payroll, and income tax returns, all have different [remittance dates](#). Take the time to note both the filing dates and payment deadlines. Consider setting reminders in your calendar.

KEEP ACCURATE RECORDS

Your records can be as simple as a paper ledger, or as sophisticated as automated bookkeeping software, such as [Quickbooks Online](#), but they must be accurate.

KEEP DOCUMENTS ORGANIZED

As every business is different, the way in which you file your records is yours to choose - Date, Supplier, Category, etc. Stay organized and be prepared to provide source documentation to CRA periodically.

KEEP UP-TO-DATE RECORDS

Reconcile bank/credit card statements regularly. Be sure to set aside the appropriate amount of time to keep your records up-to-date. [Stay on track with a ProAdvisor Bookkeeper](#).

STAYING TAX COMPLIANT PROTECTS YOUR BUSINESS

Not only can The Canada Revenue Agency issue late filing penalties, when you fail to file or pay on time, they can assess interest as high as 50%. This can seriously impact business cash flow, and in extreme cases result in CRA seizing bank accounts. In addition to avoiding costly penalties, staying compliant means tax audits are less likely to occur, preparing for an audit is less stressful and less time consuming, and auditors are more likely to rule in your favour with accurate, [organized documentation](#) easily available.



FILING DEADLINES YOU NEED TO KNOW

REMITTANCE DATES				
PST	REMITTER TYPE			PENALTIES
	MONTHLY			
	QUARTERLY ANNUAL	Due the 20th of the month after each reporting period.		
GST	REMITTER TYPE	REMITTANCE PERIOD	REMITTANCE DUE DATE	PENALTIES
	MONTHLY	Calendar Months	Due at the end of the following month	
	QUARTERLY	Jan - Mar Apr - Jun Jul - Sep Oct - Dec	Due at the end of the following month	
	ANNUAL (ODD FISCAL YE)	1-15 of month	25th of same month	
		16th to end of month	10th day of the next month	
	ANNUAL (DEC 31 YE)	1-7 of month	3rd working day after the 7th	
		8-14 of month 15-21 of month 22nd to end of month	3rd working day after the 14th 3rd working day after the 21th 3rd working day after last day of month	
PAYROLL	REMITTER TYPE	REMITTANCE PERIOD	REMITTANCE DUE DATE	PENALTIES
	MONTHLY	Calendar Months	Due the 15th of the following month	
	QUARTERLY	Jan - Mar	Due the 15th of the following month	
		Apr - Jun		
		Jul - Sep Oct - Dec		
	THRESHOLD 1 ACCELERATED	1-15 of month	3rd working day after the 7th	
		16th to end of month	3rd working day after the 14th	
	THRESHOLD 2 ACCELERATED	1-7 of month	3rd working day after the 7th	
8-14 of month		3rd working day after the 14th		
15-21 of month 22nd to end of month		3rd working day after the 21th 3rd working day after last day of month		
INCOME TAX	FILING TYPE	FILING DEADLINE	PAYMENT DEADLINE	PENALTIES
	INDIVIDUAL	Apr 30	Apr 30	
	SELF-EMPLOYED	Jun 15	Apr 30	
	CORPORATION	No more than 180 days after YE	No More than 90 days after YE	
<p>TOP TIP! File on time! Set calendar reminders and pre-book financial professionals early in the year.</p>				<p>5% of amount due plus 1% for every month late to a maximum of 12 months</p> <p>10% of amount due plus 2% for every month late to a maximum of 20 months if your return has been filed late in any of the preceding three tax years</p>

* You are a threshold 2 accelerated remitter if you had an average monthly withholding amount (AMWA) of \$100,000 or more two calendar years ago.

* Requirement to register for PST is once annual taxable sales exceed \$10,000 per year.

* Requirement to register for GST is once income exceeds \$30,000 per year.



SIMPLE FILING SYSTEM FOR SMALL BUSINESS

TOP REASONS TO STAY ORGANIZED

NO LOST DEDUCTIONS

It is likely important receipts will go missing or get destroyed if not filed promptly.

REDUCE BOOKKEEPING FEES

When you hand a bookkeeper a box of receipts, consider the additional cost of getting organized last minute. Is it worth the hourly rate for someone else to do it?

ELIMINATE LAST-MINUTE PANIC

Filing late, means paying more than you need to in penalties, and a rushed job, no matter how carefully done is more likely to incur errors.

STAY ON TOP OF YOUR FINANCES

Up-to-date and organized books are the key to making solid business decisions. Keeping your source documents organized and accessible makes monthly reconciliation easier, and also allows you to monitor Accounts Payable and Receivable more closely.

YOU'LL BE AUDIT-READY

Organized source documents save time and headache in an Audit. Supporting documents are essential for auditors to make a ruling in your favour.
REMEMBER: STATEMENTS ARE NOT RECEIPTS!

TIPS TO STAY ORGANIZED

Bookkeeping for small business includes keeping invoices, receipts, statements and financial documents filed and organized. Take the time to get started right, and schedule time for filing on a regular basis. This can be as little as once a week to start and will require more time as your business grows.

KEEP A SMALL RECEIPT HOLDER IN YOUR VEHICLE

Keep this for loose receipts/invoices when you're out and about. Remove the accumulated receipts/invoices each week or month and file them in your main filing system.

USE A **BANKER BOX WITH HANGING FOLDERS**

Label a folder for each month (Jan-Dec) and file receipts/invoices by date. It is a good idea to have a section for each of the following as well:

- Bank statements - Separated by account
- Credit card statements - Separated by account
- Payroll - Separated by Employee
- Government Documents - Tax, Payroll, Sales, and Income Tax

KEEP LOAN DOCUMENTS, AND ASSET PURCHASE DOCUMENTS SEPARATE

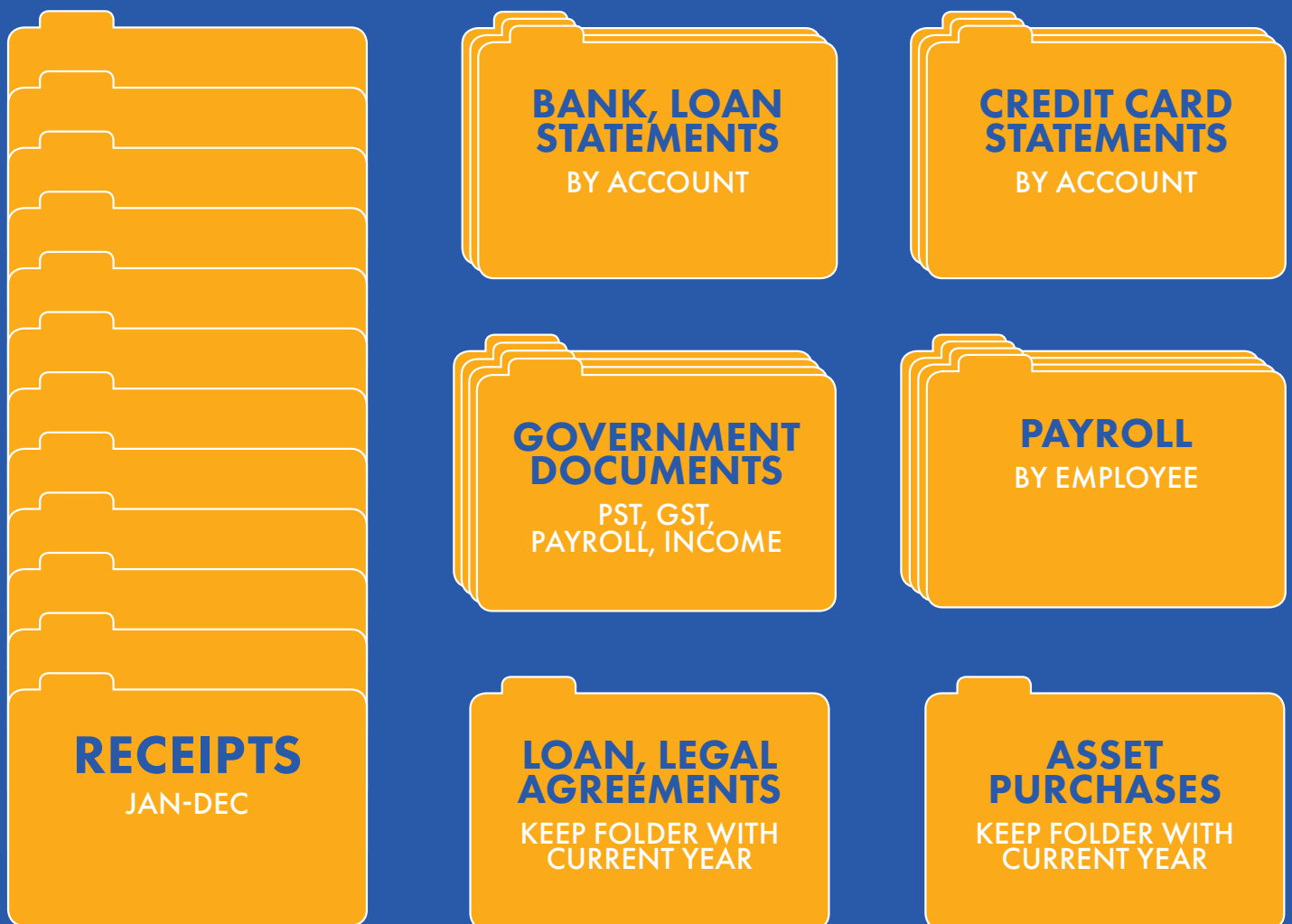
Move asset folders into the current year at year end. These documents should be available at tax time.

CREATE AN EMAIL ADDRESS OR EMAIL FOLDER FOR EMAILED RECEIPTS/INVOICES

Many retailers provide the option of an emailed receipt. A dedicated email address for receipts is preferable if purchases are made by multiple parties within your organization.

GET ORGANIZED. STAY ORGANIZED.

Our ProAdvisors suggest a simple filing system for your small business financial documents. Save time and bookkeeping fees by staying organized all year.



Printable File Labels.



CLAIMING VEHICLE EXPENSES

CLAIMING VEHICLE EXPENSES

DOCUMENTATION IS A REQUIREMENT.

The best evidence to support the use of a vehicle is an accurate logbook. This must be maintained for the entire year, showing for each business trip, the destination, the reason for the trip and the distance covered

TIP: If you have multiple businesses, consider using more than one log book.

KEEP ALL RELATED RECEIPTS

You can deduct motor vehicle expenses only when they are reasonable and you have receipts to support them. To get the full benefit of your claim, keep a record of the total kilometres you drive and the kilometres you drive to earn business income.

WHAT TO TRACK

- DATE
- DESTINATION
- PURPOSE
- KILOMETERS

YEARLY

Record the odometer reading of each vehicle at the start and end of the fiscal period.

SIMPLIFIED LOGBOOK

REPORTING OPTIONS

If your vehicle use is similar year to year, you have the option of providing CRA with a Simplified Logbook. This requires logging one full year first.

After one complete year of keeping a logbook to establish the base year, you can use a three-month sample logbook to foresee business use for the entire year, as long as the usage is within the same range (within 10%) of the results of the base year. Businesses will have to show that the use of the vehicle in the base year remains representative of its normal use.

The business use of the vehicle in the following year will be calculated by multiplying the business use as determined in the base year by the ratio of the sample period and base year period. The formula for this calculation is as follows:

SIMPLIFIED LOGBOOK CALCULATIONS

$(\text{Sample year period \%} \div \text{Base year period \%}) \times \text{Base year annual \%} = \text{Calculated annual business use}$

WHEN VEHICLE USE CHANGES

Where the calculated annual business use in a later year goes up or down by more than 10%, the base year is not an appropriate indicator of annual usage in that later year. In this case, the sample period logbook would only be reliable for the three-month period it had been maintained. For the remainder of the year, the business use of the vehicle would need to be determined based on an actual record of travel or alternative records, as discussed above. In these circumstances, the taxpayer should consider establishing a new base year by maintaining a logbook for a new 12-month period.

CLAIMING VEHICLE EXPENSES

Vehicle expenses are difficult to prove in an income tax audit without proper documentation. A mileage log is a requirement to claim this expense. You can track the details in a [excel sheet](#), on a [paper ledger](#), or you can download a user friendly mileage tracker app such as [MileIQ](#) to your iOS or Android phone.

Date	Time	Description	Purpose	From	To	Odometer Start	Odometer Finish	Mileage
2020-03-27	8:30 AM	Meeting	Business	75 Craglea Corner	3025 Portage Ave.	33,489.1	33,521.4	32.3
2020-03-27	12:00 PM	Companies Office	Business	3025 Portage Ave.	405 Broadway	33,521.4	33,523.8	2.4

WHAT TO TRACK

- DATE
- DESTINATION
- PURPOSE
- KILOMETERS

RESOURCES

- [EXCEL TEMPLATE](#)
- [PRINTABLE PAPER LEDGER](#)
- [MILEIQ.COM](#)

PROADVISOR TIPS

- KEEP ALL RELATED RECEIPTS
- RECORD VEHICLE MILEAGE EACH FISCAL YEAR (START AND END)
- DOCUMENT MILEAGE WHEN SWITCHING VEHICLES
- IF YOUR VEHICLE EXPENSES ARE PREDICTABLE, YEAR TO YEAR, CONSIDER CLAIMING EXPENSES USING THE SIMPLIFIED LOGBOOK

[Printable Mileage Log.](#)



GIFTS AND AWARDS

CRA TAX GUIDELINES

GIFT GIVING AND RECEIVING

CRA guidelines for business-related gift giving and receiving can be confusing. It is the responsibility of all small business owners to fully understand the tax implications and to keep proper records of such expenses.

ACCEPTING GIFTS FROM CLIENTS

Gifts from clients cannot be given in exchange for work completed. If a gift can be construed as payment for goods or services, you are responsible for declaring the gift as income on your taxes.

GIVING GIFTS TO CLIENTS

Dependent on the intent of the gift, 50-100% of the expense may be deductible.

- A gift that is intended as promotional or advertising can be 100% expensed
- Gift certificates or payment for meals or entertainment can be expensed at 50%

EMPLOYEE BENEFITS

CRA has categorized employee benefits. Each category has its own guidelines. (see chart 13)

GIFTS - FOR A SPECIAL OCCASION:

- religious holiday
- a birthday
- a wedding
- the birth of a child

AWARDS - FOR AN EMPLOYMENT-RELATED ACCOMPLISHMENT:

- outstanding service
- employees' suggestion recognition
- meeting or exceeding safety standards

REWARDS - FOR PERFORMANCE-RELATED REASONS:

- performing well in the job they were hired to do
- exceeding production standards
- completing a project ahead of schedule/under budget
- putting in extra time to finish a project
- covering for a sick manager/colleague

LONG-SERVICE AWARDS - IN RECOGNITION OF ANNIVERSARY DATE

- Employees may receive non-cash gifts up to \$500 value every 5 years

EMPLOYEE BENEFITS

“OTHER” EMPLOYEE BENEFIT CATEGORIES

Any gift or recognition given to an employee that falls outside the common gift and award policies such as:

- SOcial EVENTS** - A free party or other social event for all your employees
- HOSPITALITY** - Any business function open to vendors, clients and employees
- SOcial COMMITTEE PRIZE DRAWS AND GIFTS**
- Credit Card Awards and Points

BOOKKEEPING TIPS FOR EMPLOYEE GIFTS/BENEFITS

- Include any GST/HST that applies in the value of the benefit.
- Payroll deductions - If the benefit is taxable, it is also pensionable. Deduct CPP contributions and income tax. If the taxable benefit is paid in cash, it is insurable. Deduct EI premiums. If it is a non-cash benefit, it is not insurable. Do not deduct EI premiums.
- Always keep receipts - make notes
- **Credit Card and Bank Statements are NOT receipts!**
- Enter expense under “Employee Gifts” category
- Note recipient and occasion
- “Real” Gifts are always better than Gift Certificates

STEP 1 - DETERMINE BENEFIT CATEGORY

STEP 2 - IS IT CASH/NEAR-CASH OR NON-CASH

EMPLOYEE BENEFITS				
BENEFIT CATEGORY	GIFT	AWARD	REWARD	LONG-SERVICE AWARD
	<p>A gift has to be for a special occasion:</p> <ul style="list-style-type: none"> • Religious holiday • Birthday • Wedding • Birth of a child 	<p>An award has to be for an employment-related accomplishment:</p> <ul style="list-style-type: none"> • Outstanding service • Employees' suggestions • Meeting or exceeding safety standards. <p>A valid, non-taxable award has:</p> <ul style="list-style-type: none"> • Clearly defined criteria • Nomination and evaluation process • Limited number of recipients 	<p>Anything given to your employees for performance-related reasons:</p> <ul style="list-style-type: none"> • Performing well in the job they were hired to do • Exceeding production standards • Completing a project ahead of schedule or under budget • Putting in extra time to finish a project • Covering for a sick manager/colleague 	<p>If it has not been at least five years since the employee's last long-service or anniversary award, then the award is a taxable benefit.</p> <ul style="list-style-type: none"> • For example: if the 15 year award was given at 17 years of service, and then the next award is given at 20 years of service, the 20 year award will be a taxable benefit, since five years will not have passed since the previous award.
	NON-CASH GIFT OR AWARD (NON-TAXABLE TO \$500)		NON-CASH REWARD (TAXABLE)	NON-CASH LONG-SERVICE AWARD (NON-TAXABLE TO \$500)
NON-CASH	<ul style="list-style-type: none"> • Tickets to an event on a specific date and time • Vouchers *A gift card or gift certificate to a movie theatre is not considered an event ticket. Amounts over \$500 are taxable. IE: \$650 non-cash gifts equals \$150 taxable benefit 		<ul style="list-style-type: none"> • Event Tickets • Vouchers • Purchased goods *A gift card or gift certificate to a movie theatre is not considered an event ticket. 	<ul style="list-style-type: none"> • Event Tickets • Vouchers • Purchased goods *A gift card or gift certificate to a movie theatre is not considered an event ticket. • Amounts over \$500 are taxable. IE: \$650 non-cash gifts equals \$150 taxable benefit
	CASH/NEAR CASH GIFT OR AWARD (TAXABLE)		CASH/NEAR CASH REWARD (TAXABLE)	CASH/NEAR-CASH LONG-SERVICE AWARD (TAXABLE)
CASH/NEAR-CASH	<ul style="list-style-type: none"> • Cash • Gift Certificates • Anything that can easily be redeemed for cash • Non-cash gifts beyond the \$500 deductible 		<ul style="list-style-type: none"> • Cash • Gift Certificates • Anything that can easily be redeemed for cash 	<ul style="list-style-type: none"> • Cash • Gift Certificates • Anything that can easily be redeemed for cash • Non-cash gifts beyond the \$500 deductible
NOTES	<ul style="list-style-type: none"> • GIFTS AND AWARDS ARE NON-TAXABLE UP TO \$500 • The gifts and awards policy does not apply to gifts or awards given to non-arm's length employees, such as your relatives, shareholders, or people related to them. • The gifts and awards deductible is over and above the \$500 allotted for long-service awards. • Items of small or trivial value are non-taxable such as: coffee or tea, T-shirts with employer's logos, mugs, plaques or trophies. 		<p>Rewards are considered additional income for employees who go above and beyond in their described roll. Rewards (cash or non-cash) are the result of an employee doing their duty, therefore, are deemed taxable income.</p>	<ul style="list-style-type: none"> • LONG-SERVICE AWARDS ARE NON-TAXABLE UP TO \$500 • The Long-service award deductible is over and above the \$500 allotted for gifts and awards

"OTHER" EMPLOYEE BENEFITS

SOCIAL EVENTS	HOSPITALITY FUNCTIONS	SOCIAL COMMITTEE PRIZE DRAWS AND GIFTS	LOYALTY AND OTHER POINTS PROGRAMS
A free party or other social event for: • Employees • Employers	A party or other social event for: • Employees • Employers • Vendors • Clients • Potential Clients	There are separate guidelines for social committees run by the employer than committees run by the employees.	Considered "near-cash" in most cases, loyalty points are a taxable benefit. The responsibility of reporting is dependent on who owns the points account.
NON-TAXABLE	NON-TAXABLE	NON-TAXABLE	COMPANY ACCOUNT
\$150 per person or less • Additional costs such as transportation home, taxi fare, and overnight accommodation are not included in the \$150 per person amount.	Event is Work Related (sometimes mandatory) • Planning or education sessions • Networking sessions Primary Beneficiary is the employer	A prize that is won from an EMPLOYEE RUN social committee or group is non-taxable. The prize is considered a "windfall".	EMPLOYER REPORTS INCOME: If an employee uses company credit or points card when making purchases, the Employer is responsible for reporting the benefit, recording the fair market value of the items or services purchased with said points, as taxable income.
TAXABLE	TAXABLE	TAXABLE	EMPLOYEE ACCOUNT
Greater than \$150 per person • the entire amount, including the additional costs (taxi, accommodation), is a taxable benefit.	Celebration for • the completion of a project or task • a job well done Considered a "perk" of employment	A prize that is won from an EMPLOYER RUN social committee or group is taxable. This is considered a benefit of employment.	EMPLOYER REPORTS INCOME: If an Employee uses own credit cards/points account and is reimbursed for company purchases, point deduction is taxable under any of these conditions: • the points are converted to cash • the plan or arrangement between you and the employee seems to be a form of additional remuneration (job perk) • the plan or arrangement is a form of tax avoidance
NOTES	NOTES	NOTES	NOTES
WHEN TO INCLUDE GST: NO – All cash benefit YES - All or part is non-cash - not an exempt or zero-rated supply		A prize draw based on job performance is also an employee benefit and is therefore taxable income. A prize that is won by a JOINT Employer/ Employee run committee must be split by a percentage that reflects the division.	New Tax Laws have just been implemented. The changes are geared toward capturing the tax revenue from the point system, non-cash economy. Expect to see more scrutiny regarding loyalty points and allocation in the near future. Auditors will be seeking these errors and omissions upon review of your books. Be sure you understand your obligations.



KNOW YOUR TAXPAYER'S RIGHTS

YOU HAVE THE RIGHT TO:

1. Receive entitlements and to pay no more and no less than what is required by law
2. Service in both official languages
3. Privacy and confidentiality
4. A formal review and a subsequent appeal
5. Be treated professionally, courteously, and fairly
6. Complete, accurate, clear, and timely information
7. Not to pay income tax amounts in dispute before you have had an impartial review (unless otherwise provided by law)
8. Have the law applied consistently
9. Lodge a service complaint and to be provided with an explanation of CRA findings
10. **Have the costs of compliance taken into account when administering tax legislation**
11. Expect CRA to be accountable
12. Relief from penalties and interest under tax legislation because of extraordinary circumstances
13. Expect CRA to publish their service standards and report annually
14. Expect CRA to warn you about questionable tax schemes in a timely manner
15. **Be represented by a person of your choice**
16. **Lodge a service complaint and request a formal review without fear of reprisal**

● LODGE A CRA SERVICE COMPLAINT



QUICK REFERENCE

PROSTRATA-G

- FACEBOOK
- LINKEDIN
- PROSTRATA-G BLOG
- REFERRALS
- HOME OFFICE CALCULATOR

PRINTABLES

- SIMPLE FILING SYSTEM
- REMITTANCE DATES CHART
- EMPLOYEE BENEFITS CHART
- MILEAGE LOG PDF

APPLICATIONS

- MILEIQ.COM
- QBO.COM

CANADA REVENUE AGENCY

- MY ACCOUNT
- MY BUSINESS ACCOUNT
- TAXPAYERS' RIGHTS
- OFFICE OF THE OMBUDSMEN
- PAYROLL
- INCOME TAX
- GST
- PST

BOOKKEEPING SUPPLIES

- HANGING FILE FOLDERS
- FILE LABELS
- BANKERS BOX
- PRINTABLE FILE LABELS
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