

GUIDELINES FOR MONTHLY PAPER WORK

Please read them carefully

Dear Client:

As some of our clients have asked in the past how should they submit their monthly paperwork to get maximum *tax savings* and to avoid *Canada Revenue Agency audit*? We have established a general guideline which will work for all kind of businesses. *Our objective is to provide you complete and accurate financial information so you can make a well informed business decision and save you money on taxes.* In order to prepare reliable reports we need all the financial information in a timely manner. Please note it is your responsibility to bring the paperwork complete and in time (usually by the 15th or sooner) on a monthly basis. Please follow these guidelines.

Banking

- ◆ Your monthly work should include bank statement, cancelled cheques, deposit slips correspond to each deposit. Also, mark on the bank statement if a particular deposit is your personal contribution. That way we can create proper company's liability to pay back to you that contribution without any tax consequences (very important).
- ◆ On cheques use "memo" or "Re" field properly. Write down the purpose of the cheque, invoice number you're paying and the GST amount.
- ◆ If you withdraw cash from your business account, please provide "**cash voucher receipt (I can design it, if you like)**" (with original receipt), this way you will be able to save taxes otherwise these will be disallowed by Canada Revenue Agency and will be considered your personal spending.

Income and Receivables

- ◆ Provide a copy or summary of your invoices (income) when you issued them NOT when you receive them. Also, make sure that all the invoice numbers are in sequence.
- ◆ If you are in the retail business and use cash register submit Z tapes or similar report with your paperwork. Remember if your deposit exceeds your invoices or Z tapes total, CRA does not want to see this and the extra deposits will be considered your business income unless you can



prove that was your personal contribution as we mentioned previously mark it on the bank statement or a loan, in that case mark it is loan and keep the loan contract documents, if CRA asks for to audit.

Expenses and Payables

- ◆ All your payables/bills should have a reference on it such as, a cheque number if paid by cheque. If paid electronically mark “Online Paid”. If you have paid bills by company visa attach visa slips to bills. If you paid bills by your personal credit card or cash write down paid by cash on the bills. If you are missing invoices and only submitting visa slips, (we will process the expenses) however, CRA can disallow the expenses even though they are 100% business expenses. Same is true for ATM debits when you pay at POS attach it to the invoice. Staple all invoices paid by the visa to the visa statement.
- ◆ If you don’t have a credit card under the business name, dedicate one credit card only for business purpose only. This way you can separate personal and business expenses. Also, submit business credit card statement along with your monthly paper work.
- ◆ Receipts with no business name on it: write down the business name and the purpose of the expense. Receipt has no business name and the purpose of the expense can be disallowed by Canada Revenue Agency.
- ◆ All the payables / expenses or summary of payables should be submitted when you received them NOT when you paid them. Since accounting is based on an accrual basis NOT on cash basis.
- ◆ **Prepare a mileage log daily.** It does not matter if your business structure is proprietorship or incorporated, mileage log is important. In the absence of a mileage log CRA can deny all of your expenses even vehicle is under the business name. Further more CRA can access you taxable benefit if your vehicle is under the corporation name and no mileage log.
- ◆ **Meals & Entertainments:** Write down client’s name on the back of the meals slip. Remember Revenue Canada does not allow to deduct single meals. ONLY 50% business meals are deductible.
- ◆ If you purchase any “Capital Asset” for the business use, such as equipments, furniture, computers and tools let us know. Also, if there is any bank loan against those assets report it as well. Bring the capital asset purchase documents and the loan documents.



◆ Remember submit CRA remittances on time, since some **finances and penalties will be** imposed by CRA are **NOT TAX DEDUCTIBLE**.

◆ Submit invoices and payables in the month they belong to, otherwise, there is a chance that you will pay too much taxes or GST and incorrect CRA reporting.

◆ Provide original receipts, 99% of the time CRA does not accept photocopies of the invoices/receipts.

◆ Keep original invoices and packing/pickup/delivery slips together to avoid double entry. Would you require more information about this please make an appointment to come see me at your earliest convenience? You need to keep your documents for 7 years.

P.S. Remember, we are here to help you to **protect your interest and assets**. This can be achieved by working together.

