



Pilgrim Accounting Inc.

PROFICIENCY IN ACCOUNTING

# NEWSLETTER

## HOW A BOOKKEEPER CAN HELP YOUR SMALL BUSINESS SAVE ON TAXES

As another tax season for the self-employed winds down (final filing date was June 15), we are reminded again of the tax savings many small business owners could enjoy if they had a bookkeeper helping them keep their paperwork in order.

The problem is that while you can deduct many things as you run your business, you can only do this if you have the receipts and proof of an entire year of transactions accumulated.

If you show up every June at your tax preparer's office with a shoebox or plastic grocery bag full of stuff, there is a good chance you are missing out on savings that should have stayed in your pocket.

Every year clients ask me what they need to do to save more money on taxes, and every year I advise the same thing: keep your books up to date either by yourself or using a bookkeeper, and you will soon see the tax saving mount up.

The problem is that most small business owners, like individuals, only think about tax season when it comes time for their yearly filing. Other than those brief few weeks when they decide to get their papers in order, these matters never cross their mind.

Across Canada, as more and more healthy baby boomers decide to augment their retirement income with revenue from the small business they already dreamed of running, they are under the impression that all they really have to know is their total income after expenses.

They are largely oblivious to just how much work and time is needed to gather all the supporting documentation for their expense claims. If they are not doing this week by week or at least month by month, it is almost impossible for them to claim legitimate expenses that would lower their tax bills.

Generally speaking, you can deduct any reasonable current expense you paid or will have to pay to earn business income. This includes such things as advertising, business start-up costs, business licenses and dues, business use-of-home expenses, insurance, motor vehicle expenses, legal, accounting and other professional fees, office expenses, property taxes, rent, salaries and benefits, supplies, telephone and utilities and travel.

What we notice is that many small business are innovative and detail-oriented to operating their business, but they tend to ignore their routine paperwork. At tax time, they miss claiming many expenses because they have forgotten them or misplaced the receipts.

The solution is to look for an in person or online bookkeeper who will keep everything in order for you and take all the stress out of tax time. Additionally, if you are chosen to be audited by the Canada Revenue Agency, you will have support through the process.



We help a number of small business clients across Canada with our online bookkeeping services and make sure they have the right documents and receipts needed to make the most of their allowable deductions.

A bookkeeper will also steer you on the right course when it comes to collecting GST/HST. Generally speaking, if you make more than \$30,000 in revenue in the previous four calendar quarters, you have to pay HST.

Handling paperwork does not have to be mind-boggling. Having monthly reports showing your records will also help you stay abreast of where you stand and how your business is really performing.

Invest in a vehicle log book or track your mileage and expenses with one of the apps now available.

It is challenging to start a new business in today's competitive climate. You need to stay on top of your financial performance regularly, not wait for a once-a-year complete going over. That way you can make small tweaks to get back on track when a problem surfaces, not wait until it becomes a major issue.

Start now to pay more attention to your bookkeeping, either by committing your own time and energy to it or farming it out to a professional. Either way it will save you time and money in the long run.

Contact us for advice!

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