

# R. West & Associates Inc.

Licensed Insolvency Trustee



## Self-Employed Checklist

### Prepare a business plan (consider these questions)

1. Who is your competition? What is the character (ethics) and rivalry among your competitors?
2. Threat of new entrants: What is barrier to entry (regulations, capital, skills required)?
3. Threat of substitutes: What is your customer's alternative to your product or service?
4. What is your bargaining power with your suppliers? Is it easy to find or switch suppliers?
5. What is your bargaining power with your workers (skill level, demand for their services)?
6. What is the bargaining power of your customers? How easily can your customer switch to your competitor?
7. What is the projected cash flow and profitability of your business?
8. What are the capital requirements – equipment, inventory, working capital?

### Obtain a business license (register a trade name)

### Register with WCB

### Consider whether you need insurance (liability insurance)

### Obtain an accountant/bookkeeper/financial advisor

We suggest you keep current and complete records. If applicable, review all of the costs and cash flow requirements of each project or job (for example, construction industry) both before the job is started and after it is completed to ensure profitability, and to gather experience and knowledge for the next project.

Discuss tax planning and deductibility of expenses.

### Should you register for a GST account?

As most small businesses have gross sales exceeding \$30,000, they are required to register for GST.

If gross sales are less than \$30,000 per year, depending on your business, you may not need to obtain a GST account. If you do not have a GST account, you cannot charge GST, nor can you obtain a refund of your GST expenditures.

**File GST returns and pay on time**

A “failure to file” penalty will be charged on a return that is filed late with an unremitted or unpaid amount. The penalty is equal to:

- (a) 1% of the amount overdue on the return, plus
- (b) one quarter of the amount calculated in (a) times the number of complete months the return was overdue, to a maximum of 12 months.

The Canada Revenue Agency (CRA) will also charge interest on an overdue amount equal to the basic rate plus 4%.

Late filing of a GST return is not the only way you can incur GST penalties. You can also be fined for non-compliance. If you receive a demand to file a return and do not do so, a \$250 penalty will be charged.

**Make income tax installments and file Income tax returns on time**

We suggest you make monthly installments based on your monthly net income – pay more when you make more and less when earning less – match cash flow needs to income. Installments should also consider your CPP liability that is paid as part of your income taxes.

CRA will charge compound daily interest, based on the prescribed rate, usually starting May 1st of each year, on any unpaid amounts owing.

If you owe tax and do not file your return on time (normally April 30th but June 15th for self employed) CRA will charge you a late-filing penalty. The penalty is 5% of your balance owing, plus 1% of your balance owing for each full month that your return is late, to a maximum of 12 months.

**Note:** Even though your return may not be required to be filed until June 15th, the tax owed must be paid by April 30 in order to avoid interest charges.

**Take note of the false statements or omissions penalty**

You may have to pay a penalty if you knowingly, or under circumstances amounting to gross negligence, have made a false statement or omission on your income tax return (missed tax slips – RRSP withdrawal, T-4E, T-5)(Rental Income).

The penalty is equal to the greater of:

- \$100; and
- 50% of the understatement of tax and/or the overstatement of credits related to the false statement or omission.