



Canada Revenue  
Agency

Agence du revenu  
du Canada

# Guide for Canadian Small Businesses

## Is this guide for you?

Are you starting a new small business in Canada? Are you operating one already? Then this guide is for you. It will introduce you to the Canada Revenue Agency (CRA) programs and online services you need to know about, and give an overview of your obligations and entitlements under the laws that we administer.

Many activities of a small business are subject to different forms of taxation. This guide will help you with each of these, and will explain how to plan for taxes, keep records, and make and report payments.

It will also explain the different kinds of business structures, goods and services tax/harmonized sales tax

(GST/HST), excise taxes and excise duties and the softwood lumber products export charge, payroll deductions, income tax reporting and payment, how to prepare for and handle an audit, objections and appeals and electronic services.

Taxes can sometimes be complex. In such cases, we will refer you to more detailed publications—all free of charge and available at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms).

If you are not familiar with some of the terms used in this guide, refer to the “Definitions,” on page 4.

The success of small businesses is an essential part of Canada’s economic growth. At the CRA, our goal is to provide all the support we can. We work closely with small businesses to improve services, reduce paperwork burden and the cost and time of compliance, and maintain confidence in Canada’s tax system.

If you have a visual impairment, you can get our publications in braille, large print, etext (CD), or MP3. For more information, go to [www.cra.gc.ca/alternate](http://www.cra.gc.ca/alternate) or call **1-800-959-2221**.

La version française de cette publication est intitulée *Guide pour les petites entreprises canadiennes*.

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## Definitions

**T**erms that appear in capital letters have their own listing elsewhere in these definitions.

**Appeal** – a process by which you ask a Court to review the decision the Appeals Division made on behalf of the Minister of National Revenue.

**Articles of incorporation** – a legal document filed with a provincial or territorial government, or the federal government, which sets out a CORPORATION's purpose and regulations.

**Assessment** – a formal determination of taxes, duties, or other amounts to be paid or refunded. An assessment includes a reassessment. See NOTICE OF ASSESSMENT.

**Assets** – any property owned by a person or business. Assets include money, land, buildings, investments, inventory, cars, trucks, boats, or other valuables that belong to a person or business. They also may include intangibles such as GOODWILL.

**Bad debt** – money owed to you that you cannot collect.

**Balance** – the amount remaining in an account after recording all deposits and withdrawals.

**Budget** – a plan outlining an organization's financial and operational goals.

**Business expenses** – certain costs that are reasonable for a particular type of business and that are incurred for the purpose of earning INCOME. Business expenses can be deducted for tax purposes. Personal, living, or other expenses not related to the business cannot be deducted for tax purposes.

**Business number (BN)** – is a numbering system that simplifies and streamlines the way businesses deal with the federal government. Each business should have only one BN number.

**Calendar year** – means a year that begins on January 1 and ends on December 31.

**Canada Pension Plan (CPP)** – an insurance program to help Canadians provide INCOME for their retirement. It also gives them income if they become disabled. Contributions are directly related to annual earnings.

**Capital cost allowance (CCA)** – a yearly deduction or depreciation on the cost of certain ASSETS. You can claim CCA for tax purposes on the assets of a business such as buildings or equipment, as well as on additions or improvements, if these assets are expected to last for some years.

**Capital gains** – the amount by which PROCEEDS OF DISPOSITION less outlays and expenses exceed the adjusted cost base of capital property.

**Capital loss** – the amount by which the adjusted cost base and outlays and expenses of CAPITAL PROPERTY exceeds PROCEEDS OF DISPOSITION.

**Capital property** – generally, any property of value, including DEPRECIABLE PROPERTY. Common types of capital property include principal residences, cottages, stocks,

bonds, land, buildings, and equipment used in a business or rental operation.

**Commercial activity** – means any business or adventure or concern in the nature of trade carried on by certain persons, but **does not include**:

- the making of exempt supplies; or
- any business or adventure or concern in the nature of trade carried on without a reasonable expectation of profit by an individual, a personal trust, or a partnership where all the members are individuals.

However, commercial activity includes a supply of real property, other than an exempt supply, by any person, whether or not there is a reasonable expectation of profit, and anything done in the course of making the supply or in connection with the making of the supply.

**Confidentiality** – the CRA will protect income tax, GST/HST, excise duty, tax, and other related tax and DUTY information. The only people with access to this information are those who are authorized by law or those to whom the taxpayer, registrant or LICENSEE has authorized online through My Business Account or My Account; or provided written authorization, by completing Form RC59, *Business Consent Form* or Form T1013, *Authorizing or Cancelling a Representative*.

**Corporation** – a form of business authorized by federal, provincial, or territorial law to act as a separate legal entity. Its purpose and regulations are set out in its ARTICLES OF INCORPORATION. One or more persons may own a corporation.

**Cost of goods sold** – the actual cost of the items sold in the normal course of business during a specific period.

**Debt** – an amount that is owed. If you borrow money or purchase something on credit, you have created a debt.

**Deemed** – a legal term used when something is considered to be something else for certain purposes.

**Depreciable property** – this is property on which you can claim CCA. It is usually capital property used to earn income from a business or property. The capital cost can be written off as CCA over a number of years. See CAPITAL COST ALLOWANCE.

**Disposition** – generally means the disposal of property by sale, gift, transfer, or change in use.

**Duty** – generally means the duty imposed under the *Excise Act, 2001*, the *Excise Act*, and the duty levied under certain sections of the *Customs Tariff* and, with some exceptions, includes special duty.

**Election** – a formal choice among specific options on how tax laws are applied to a taxpayer's financial affairs. Usually, you make an election on your tax return.

**Employment Insurance (EI)** – a federal program that provides financial assistance to people who are temporarily out of work. It is an insurance program, with employers and employees making payments into the Employment Insurance Fund.

**Employment Insurance premiums** – deductions that an employer must make from employees' paycheques and send to the Receiver General for Canada. Employers must also contribute EMPLOYMENT INSURANCE payments.

**Excise** – taxes and DUTIES on the manufacture, sale, or use of goods and items.

**Fair market value (FMV)** – generally means the highest dollar value that you can get for your property in an open and unrestricted market between an informed and willing buyer and an informed and willing seller who are dealing at arm's length with each other.

**Fiscal period** – is the twelve-month period over which a business or profession reports its income-earning activities. The fiscal period may or may not coincide with the CALENDAR YEAR. The business usually establishes its fiscal period when it files its first income tax return. See TAX YEAR.

**Goodwill** – the excess of the purchase price of a business over the FAIR MARKET VALUE of the net ASSETS of the business.

**Income** – the sum of revenues earned in a specific period of time. It includes revenues from salaries, wages, benefits, tips, and commissions, profits from operating a business or profession, and investments earned.

**Income statement** – a financial statement that summarizes the results of business activities (income and expenses) for a given period of time. Sometimes called a profit and loss statement.

**Information slips** – are forms that employers, trusts, and businesses use to tell taxpayers and the CRA how much income was earned, and how much tax was deducted.

**Input tax credit (ITC)** – means a credit GST/HST registrants can claim to recover the GST/HST paid or payable for property or services they acquired, imported into Canada, or brought into a participating province for use, consumption, or supply in the course of their commercial activities.

**Instalments** – are periodic payments of income tax that individuals are required to pay to the CRA to cover tax they would otherwise have to pay on April 30. For GST/HST purposes, instalments are periodic payments that may also be payable by persons who file annual returns.

**Inventory** – generally refers to the total value of the goods on hand that a business intends to sell, uses for manufacture, or uses to render a service. In certain cases, inventory can also include services.

**Lease** – a contract under which a property is rented from one person or business to another for a fixed period of time at a specified rate.

**Liability** – DEBT owed by a person or business.

**Licensee** – a person who holds a licence issued under the *Excise Act, 2001*, the *Excise Tax Act* or the *Excise Act*.

**Loss** – the amount by which expenses exceed revenues.

**Motor vehicle** – an automotive vehicle designed or adapted for use on highways and streets. A motor vehicle does not include a trolley bus or a vehicle designed or adapted to be operated on rails.

**Net income** – income subject to income tax after allowable deductions have been subtracted from gross or total income.

**Notice of assessment** – a form that we send to taxpayers and GST/HST registrants after we process their returns. It tells taxpayers or GST/HST registrants if we made any corrections to the returns or rebate applications and, if so, what they are. It also informs taxpayers or registrants if they owe more tax or what the amount of their refund will be.

**Objection** – a statement of facts and reasons detailing why a taxpayer, registrant, LICENSEE or other person disagrees with an ASSESSMENT.

**Operating expenses** – the routine costs of running a business. They include expenses for gasoline, electricity, and office supplies. They do not include the cost of buildings or machinery that are expected to last for several years. See CAPITAL COST ALLOWANCE.

**Participating provinces** – means the provinces of Ontario, British Columbia, Nova Scotia, New Brunswick, and Newfoundland and Labrador.

**Passenger vehicle** – a motor vehicle designed or adapted primarily to carry people on highways and streets. It seats a driver and no more than eight passengers. Most cars, station wagons, vans, and some pick-up trucks are passenger vehicles. They are subject to the limits for CCA, interest, and leasing. A passenger vehicle does **not** include:

- an ambulance;
- clearly marked police and fire emergency-response vehicles;
- a motor vehicle you bought to use more than 50% as a taxi, a bus used in the business of transporting passengers, or a hearse in a funeral business;
- a motor vehicle you bought to sell, rent, or LEASE in a motor vehicle sales, rental, or leasing business;
- a motor vehicle (except a hearse) you bought to use in a funeral business to transport passengers;
- a van, pick-up truck, or similar vehicle that seats no more than the driver and two passengers which, in the tax year you bought or leased, was used more than 50% to transport goods and equipment to earn income;
- a van, pick-up truck, or similar vehicle that, in the tax year you bought or leased, was used 90% or more to transport goods, equipment, or passengers to earn income;
- a pick-up truck that, in the tax year you bought or leased, was used more than 50% to transport goods, equipment, or passengers while earning or producing income at a remote work location or at a special work site that is at least 30 kilometres from the nearest community having a population of at least 40,000 persons; and
- a clearly marked Emergency Medical Service vehicle used to carry paramedics and their emergency medical equipment.

**Payroll deductions** – are income tax deductions, CANADA PENSION PLAN (CPP) or QUEBEC PENSION PLAN (QPP) contributions, and EMPLOYMENT INSURANCE (EI) PREMIUMS which are deducted from an employee's wages or salary and sent regularly to us. Employers also make their own contributions to the CPP or QPP, and EI.

**Penalties** – amounts taxpayers, registrants, or LICENSEES must pay if they fail to file returns or remit or pay amounts owing on time, or if they try to evade paying or remitting tax by not filing returns. Penalties must also be paid by people who knowingly, or under circumstances amounting to gross negligence, participate in or make false statements or omissions in their returns, and by those who do not provide the information required on a prescribed form.

**Prepaid expense** – an expense you pay for in advance; an expense you incur for goods and services you will receive in a later FISCAL PERIOD; amounts you pay in interest, income taxes, municipal taxes, rent, dues, or insurance for later fiscal periods. These amounts are included as assets on the balance sheet at the end of a fiscal period.

**Proceeds of disposition** – generally means the selling price of property when it is disposed of. Proceeds of disposition also include compensation received for property that has been destroyed, expropriated, stolen, or damaged. It is also the fair market value of property when it is transferred to another person, or when there is a change in its use.

**Quebec Pension Plan (QPP)** – a pension plan equivalent to the CANADA PENSION PLAN (CPP) but offered in the province of Quebec. The provincial government handles the contributions.

**Rates of tax** – percentages of INCOME that must be paid as tax. The Department of Finance sets the basic income tax rates, which vary progressively with the amount of TAXABLE INCOME.

**Records** – are documents such as account books, sales and purchase invoices, contracts, bank statements, and cancelled cheques. You must keep records in an orderly manner at your business or residence in Canada for at least six years from the end of the last TAX YEAR to which the records relate. You must make these books and other documents available to our officers when requested.

**Refund** – the overpayment of income tax or GST/HST returned to a taxpayer after we assess the return.

**Regional Excise Duty Office** – is an office that serves as the CRA's liaison with registrants, LICENSEES, and the general public on all matters relating to the excise duty program.

**Remittance** – a payment of CPP or QPP, EI, income tax, or GST/HST that is paid to us through a financial institution, or that a business or individual sends directly to us. It also includes the employer's share of CPP contributions and EI premiums.

**Reserves** – funds set aside to cover future expenses, losses, or claims.

**Salary** – the amount an employer pays an employee for work done. Each employer records this type of employment income on T4 slips.

**Shareholder** – is a person (individual or corporation) who owns shares of a corporation.

**Social insurance number (SIN)** – a number given to each contributor to the CANADA PENSION PLAN, QUEBEC PENSION PLAN, and EMPLOYMENT INSURANCE. It helps record the contributions and premiums paid into and the benefits paid out of the plans. Since these social insurance programs are connected to the tax system, the SIN is also used as an identifier for federal income tax purposes. Everyone who files an income tax and benefit return must provide a SIN.

**Sole proprietorship** – an unincorporated business entirely owned by an individual.

**Spouse** – for purposes of the *Income Tax Act*, the term **spouse** only means a married partner. The term **common-law partner** includes partners of the same sex or opposite sex, who meet certain conditions. For more information, see the *General Income Tax and Benefit Guide*.

**Supply** – means the provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, or other disposition.

**Tax centres** – offices in different regions of Canada where we process tax returns.

**Tax Court of Canada** – a court that hears appeals about income tax and GST/HST assessments. In addition, the Court has jurisdiction to hear appeals under the Canada Pension Plan, *Employment Insurance Act*, and several other acts. The Tax Court maintains four offices (Vancouver, Ottawa, Toronto, and Montréal) and regularly conducts hearings in major centres across Canada.

**Tax payable** – the amount of income tax that you must pay on TAXABLE INCOME for the TAX YEAR. It is also the amount of tax payable on a TAXABLE SUPPLY (for GST/HST purposes).

**Tax services offices (TSO)** – offices across the country that provide a point of contact for the public. Go to [www.cra.gc.ca/tso](http://www.cra.gc.ca/tso) for the address and services available at your TSO.

**Taxable benefits** – amounts of money, or the value of goods or services, that an employer pays or provides in addition to SALARY. For example, the contribution by an employer to a provincial or territorial health insurance plan for an employee is a taxable benefit.

**Taxable supplies** – are supplies of goods and services that are made in the course of a COMMERCIAL ACTIVITY and are subject to the GST/HST (including zero rated supplies).

**Taxable income** – the amount of INCOME left after all allowable deductions have been subtracted from NET INCOME. This amount is used to calculate the TAX PAYABLE.

**Tax year** – the CALENDAR YEAR or FISCAL PERIOD for which income tax is to be paid.

**Tobacco products** – refers to manufactured tobacco, packaged raw leaf, or cigars.

**Workers' compensation** – money paid to compensate a person injured on the job. It is an insurance plan paid for by employers and administered by the Workers' Compensation Board.

## Chapter 1 – General Information

### Finding information on the Web

You can find business-related information online, and search by topics. Go to [www.cra.gc.ca/business](http://www.cra.gc.ca/business). You can get copies of the guides and forms mentioned in this publication by going to [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or by calling 1-800-959-2221.

For more information, a list of frequently used Web sites for small businesses is included on page 30.

If after reading this guide or searching our Web site at [www.cra.gc.ca](http://www.cra.gc.ca), you need more information about businesses or professional activities, call 1-800-959-5525.

For more general information on starting a business, see Canada Business (Services for Entrepreneurs) at [www.canadabusiness.ca](http://www.canadabusiness.ca) where you will find information from the federal, provincial, and territorial governments, as well as many other sources.

### About the CRA

The CRA is the federal government agency responsible for administering tax laws for the Government of Canada and for most provinces and territories, and delivering various social and economic benefit and incentive programs through the tax system.

It collects federal, provincial, and territorial individual income taxes (except in Quebec).

It administers and collects the GST/HST (except in Quebec), the Air Travellers Security Charge, the Softwood Lumber Products Export Charge, Canada Pension Plan (CPP) contributions, Employment Insurance premiums (EI), excise duties on alcohol and tobacco products, excise taxes on gasoline and fuel-inefficient vehicles, and a tax on insurance premiums (other than marine).

It administers federal, provincial, and territorial corporate income taxes for all provinces and territories except Alberta and Quebec.

The CRA also administers Canada's international tax agreements with other countries. We therefore have a key role in helping Canadian business and industry compete in world markets by ensuring they have a fair environment in which to trade.

It is committed to helping small businesses in Canada. It recognizes that, as entrepreneurs, you are very busy making your business profitable. You may not always have the time, expertise, or inclination to do it all yourself. In some circumstances, you probably consult with professionals, such as lawyers, accountants, or customs brokers, to help you with your business. While these individuals are professionals and will help you, you are the one who is ultimately responsible for the actions of your business. You need to stay informed so that you can work in partnership with the professionals you hire and with the CRA.

Your responsibilities are found in the following laws (of Canada):

- *Income Tax Act* (Canada);
- *Income Tax Act* (provincial and territorial);
- *Excise Tax Act*;
- *Excise Act*;
- *Excise Act, 2001*;
- *Air Travellers Security Charge Act*; and
- *Softwood Lumber Products Export Charge Act, 2006*.

The CRA's function is to administer the law; it is the Department of Finance Canada that plans the Government of Canada's fiscal and tax policy.

When the Minister of Finance introduces a **budget**, it includes proposed amendments to existing legislation. The Department of Finance Canada then issues budget documents to explain the reasons behind the changes to the legislation. The amendments proposed in the Budget Bill must be debated and approved by the House of Commons and considered by the Senate. The Bill becomes law when Royal Assent is given by the Governor General.

## Chapter 2 – Setting up your business

**F**or income tax purposes, a business is an activity that you intend to carry on for profit and there is evidence to support that intention. A business includes:

- a profession;
- a calling;
- a trade;
- a manufacture;
- an undertaking of any kind; and
- an adventure or concern in the nature of trade (for more information, see Interpretation Bulletin IT-459, *Adventure or Concern in the Nature of Trade*).

The three **most common** types of business structures are: **sole proprietorship, partnership, and corporation**.

The type of structure you choose has a significant effect on the way you report your **income**, the type of returns you file each year, and many other matters.

### Sole proprietorship

A sole proprietorship is an unincorporated business that is owned by one person. It is the simplest kind of business structure.

The owner of a sole proprietorship has sole responsibility for making decisions, receives all the profits, claims all **losses**, and does not have separate legal status from the business.

If you are a sole proprietor, you pay personal income tax on all revenue generated by your business. You also assume all the risks of the business. The risks extend even to your personal property and **assets**.

As a sole proprietor, you may be required to register for and collect GST/HST if you provide **taxable supplies** in Canada, and you are not a small supplier. For more information, read “Chapter 3 – Goods and services tax and harmonized sales tax (GST/HST),” on page 13, or see Guide RC4022, *General Information for GST/HST Registrants*.

You may choose to register a business name and/or operate under your own name.

## How does a sole proprietor pay taxes?

A sole proprietor pays taxes by reporting income (or loss) on a personal income tax and benefit return. The income (or loss) forms part of the sole proprietor’s overall income for the year.

If you are a sole proprietor, you must file a personal income tax and benefit return if you:

- have to pay tax for the year;
- disposed of a **capital property** or had a taxable capital gain in the year;
- are required to make **Canada Pension Plan/Quebec Pension Plan (CPP/QPP)** payments on self-employed earnings or pensionable earnings for the year;
- wish to access **Employment Insurance (EI)** special benefits for self-employed persons. For more information, see Guide T4002, *Business and Professional Income*; or
- received a demand from us to file a return.

If you are claiming an income tax **refund**, a refundable tax credit, a GST/HST credit, or the Canada child tax benefit, you also need to file a return. You may also be entitled to receive provincial tax credits.

The list above does not include every situation where you may be required to file. If you are not sure whether you have to file, call 1-800-959-5525.

### Note

As a sole proprietor, you may have to pay your income tax by **instalments**. You may also need to make instalment payments for CPP contributions on your own income. Remember to budget for these payments. For more information, see Pamphlet P110, *Paying Your Income Tax by Instalments*.

When you file your income tax and benefit return, you must include financial statements or one or more of the following forms, as applicable:

- Form T2125, *Statement of Business or Professional Activities*;
- Form T2042, *Statement of Farming Activities*;
- Form T1163, *Statement A – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals*;

- Form T1164, *Statement B – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations*;
- Form T1273, *Statement A – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals*;
- Form T1274, *Statement B – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations*; and
- Form T2121, *Statement of Fishing Activities*.

We will also accept a computer-generated version of the applicable form.

For GST/HST, sole proprietors have reporting periods for which they have to file a return. For more information, see Guide RC4022.

## Partnership

A partnership is an association or relationship between two or more individuals, corporations, trusts, or partnerships that join together to carry on a trade or business.

Each partner contributes money, labour, property, or skills to the partnership. In return, each partner is entitled to a share of the profits or losses in the business. The business profits (or losses) are usually divided among the partners based on the partnership agreement.

Like a sole proprietorship, a partnership is easy to form. In fact, a simple verbal agreement is enough to form a partnership. However, most partnerships are governed by a written agreement setting out rules for partners entering or leaving the partnership, the division of partnership income, and other matters.

The partnership is bound by the actions of any member of the partnership, as long as these are within the usual scope of the operations.

## How does a partnership pay taxes?

A partnership by itself does not pay income tax on its operating results and does not file an annual income tax return. Instead, each partner includes a share of the partnership income (or loss) on a personal, corporate, or trust income tax return. You do this whether or not you actually received your share in money or in credit to your partnership’s capital account.

Each partner also has to file either financial statements or one of the forms referred to in the section on sole proprietorship or a computer-generated version of one of these forms:

- Form T2125
- Form T2042
- Form T1163
- Form T1164
- Form T1273
- Form T1274
- Form T2121



A partnership that carries on a business in Canada, or a Canadian partnership with Canadian or foreign operations or investments, has to file a T5013 for each fiscal period of the partnership:

- If, at the end of the fiscal period,
  - the partnership has an absolute value of revenues plus an absolute value of expenses of more than \$2 million, or has more than \$5 million in assets; or
- If, at anytime during the fiscal period,
  - the partnership is a tiered partnership (has another partnership as a partner or is itself a partner in another partnership);
  - the partnership has a corporation or a trust as a partner;
  - the partnership invested in flow-through shares of a principal-business corporation that incurred Canadian resource expenses and renounced those expenses to the partnership; or
  - the Minister of National Revenue requests one in writing.

For more information, go to [www.cra.gc.ca/partnership](http://www.cra.gc.ca/partnership) or see Guides T4068, *Guide for the T5013 Partnership Information Return – 2006* and T4068-1, *2010 Supplement to the 2006 T4068 – Guide for the T5013 Partnership Information Return*.

For a partnership, you may be required to register for and collect GST/HST if you provide **taxable supplies** in Canada, and you are not a small supplier. For more information, read “Chapter 3 – Goods and services tax and harmonized sales tax (GST/HST),” on page 13, or see Guide RC4022.

## Corporation

A corporation is a separate legal entity. It can enter into contracts and own property in its own name, separately and distinctly from its owners.

A corporation may have some of the following features:

- It is a separate legal entity with a perpetual existence.
- It can generally raise larger amounts of capital more easily than a sole proprietorship or partnership.
- The shareholders cannot claim any loss the corporation sustains.

When forming a corporation, the owners transfer money, property, or services to the corporation in exchange for shares. The owners are referred to as **shareholders**.

You can buy and sell shares in a corporation without affecting the corporation’s existence. A corporation continues to exist unless it winds up, amalgamates, or surrenders its charter for reasons such as bankruptcy.

Since a corporation has a separate legal existence, it has to pay tax on its income, and therefore must file its own income tax return.

You may be required to register for and collect (GST/HST) if you provide **taxable supplies** in Canada, and you are not

a small supplier. For more information, read “Chapter 3 – Goods and services tax and harmonized sales tax (GST/HST),” on page 13, or see Guide RC4022.

You set up a corporation by completing **articles of incorporation** and filing them with the appropriate provincial, territorial, or federal authorities.

## How does a corporation pay taxes?

A corporation must file a corporation income tax return (T2) within six months of the end of every **tax year**, even if it does not owe taxes. It also has to attach complete financial statements and the necessary schedules to the T2 return. A corporation usually pays its taxes in monthly or quarterly instalments. For more information about due dates, see “Summary of important dates for businesses,” on page 29. For more information on instalment payments and the filing requirements for corporations, see Guides T4012, *T2 Corporation – Income Tax Guide*, or T7B-CORP, *Corporation Instalment Guide*, or go to [www.cra.gc.ca/payments](http://www.cra.gc.ca/payments).

The tax year for a corporation is its fiscal period. For more information on corporations, go to [www.cra.gc.ca/t2return](http://www.cra.gc.ca/t2return).

## Are you responsible for your corporation’s debts?

As a shareholder of your corporation, you have limited liability. In the strict sense, this means you and the other shareholders are not responsible for the corporation’s debts. However, limited liability may not always protect you from creditors. For example, if a smaller, more closely held corporation wants to borrow money from a bank or other creditor, the creditor may ask for the shareholder’s guarantee that the debt will be repaid. If you agree to this condition, you will be personally liable for that debt if the corporation does not pay it back.

This applies to taxes owing as well. If your corporation owes taxes and has obtained a loan or secured a line of credit, an advance under the loan or line of credit can be intercepted on account of the corporation’s tax arrears. Notwithstanding that the proceeds of the advance have been paid to the Receiver General for Canada, the corporation is **deemed** to have received the advance and is liable to the lender as such. Where you have personally guaranteed the loan or the line of credit on behalf of the corporation, you would be liable jointly with the corporation for the amounts intercepted.

Directors may also be liable to pay amounts owed by the corporation if it has failed to deduct, withhold, remit or pay amounts as required by the *Income Tax Act*, *Employment Insurance Act*, *Canada Pension Plan*, *Excise Act, 2001*, and *Excise Tax Act*.

For more information on director’s liability, see Information Circular IC89-2R2, *Directors’ Liability – Section 227.1 of the Income Tax Act and Section 323 of the Excise Tax Act*. You can find this document at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms).

## The business number

### Your first step to doing business with the CRA

When you register for a business, we assign you a **business number** (BN). The BN is a numbering system that simplifies and streamlines the way businesses deal with us. It is based on the idea of “one business, one number.” This helps businesses reduce costs and be more competitive. It also increases government efficiency. You get your BN the first time you register to do business with us.

The four major CRA business program accounts and the program identifiers are as follows:

- **RT** – GST/HST
- **RP** – payroll deductions
- **RC** – corporate income tax
- **RM** – import/export

The BN is a nine-digit business identifier. The program account number consists of three parts – the BN, a two-letter program identifier and a four-digit reference number. The entire program account number has 15 characters:

- nine-digit BN to identify the business; and
- two letters and four digits to identify each account a business may have.

For example, your account number might look like this:

1 2 3 4 5 6 7 8 9	RP	0 0 0 2
(Business number (BN))	(Program identifier)	(Reference number)

If you only have one account (GST/HST for example), we will show the account like this:

1 2 3 4 5 6 7 8 9	RT 0001
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When making payments or enquiries related to your account, you must provide the nine-digit BN and identify the type of account in question by providing the two-letter program identifier and the four-digit reference number.

You can register for a BN by Internet, telephone, fax, or mail. Business Registration Online at [www.businessregistration.gc.ca](http://www.businessregistration.gc.ca) is easy to use, convenient, and secure. It is also a one-stop, self-serve application that allows you to register for a BN as well as the four major CRA business program accounts. At the same time, you can register online for Ontario, New Brunswick, Nova Scotia, and British Columbia programs. If the business’s mailing address is in Quebec, we will offer the option to be directed to the Revenu Québec Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

#### Note

Not all businesses require a BN, so it is important that you review the information for each type of account before registering. Go to [www.cra.gc.ca/bn](http://www.cra.gc.ca/bn) or contact **1-800-959-5525** if you want to find out about the other types of accounts and register for them.

## Are you doing business in Quebec?

For businesses physically located in Quebec, you will have to register your GST/HST accounts with Revenu Québec. To register your payroll, import-export, or corporate income tax accounts, you must still contact the CRA.

### Register for GST/HST only

If you plan to register only for GST/HST in Quebec, you do not need to register for a BN with us. For more information or to register, visit Revenu Québec’s Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca) or contact Revenu Québec:

Revenu Québec  
3800, rue de Marly  
Ste-Foy QC G1X 4A5

Telephone: **1-800-567-4692**  
Outside Canada: **1-418-659-4692**

## Do you need a BN?

If you need at least one of the four CRA business accounts listed on page 10, you will need a BN.

However, before you register for the BN, you need to know a few things about the business you plan to operate. For instance, you should know the name of the business, its location, its legal structure (sole proprietorship, partnership, or corporation), and its fiscal year-end. You should also have some idea of what the sales of your business will be. Without this information, you will not be able to complete Form RC1, *Request for a Business Number (BN)*.

#### Note

If you are a sole proprietor or a partner in a partnership, you will continue to use your **social insurance number** (SIN) to file your individual income tax and benefit return, even though you may have a BN for your GST/HST, **payroll deductions**, and import/export accounts.

For more information about the BN, go to [www.cra.gc.ca/bn](http://www.cra.gc.ca/bn), see Pamphlet RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*, or call **1-800-959-5525**.

## Why it pays to plan ahead

When considering whether you should register for your BN, you must keep several factors in mind such as the reasons for registering. You need only register for those business accounts for which you need a BN in order to fulfill your legal obligations.

For example, you do not have to register for GST/HST if you are a small supplier. You are a small supplier if your taxable worldwide revenues (including those of your associates), is less than \$30,000 in the last four consecutive calendar quarters or in any single calendar quarter. This threshold is \$50,000 if you are a public service body (such as a charity, non-profit organization, municipality, university, public college, school authority, or hospital authority). For more information on these thresholds, see “Small supplier,” on page 13. If you think your sales will exceed \$30,000, (or \$50,000 if you are a public service body), it is probably wise to register for the GST/HST sooner

rather than later. Remember, registering for the GST/HST is the same as registering for the BN. However, once you have decided to register, you must charge GST/HST on your taxable goods and services and file regular GST/HST returns whether you are a small supplier or not and you have to remain as a registrant for at least one year before you can deregister.

Registering early, however, gives you certain advantages, such as the right to claim the GST/HST you pay on your business's start-up expenses from the time you register. For more information, see Guide RC4022. Also see "Can you deduct business start-up costs?" on page 21.

If you intend to import goods into Canada, you should open an import/export account before you import the goods. This will avoid delays at the port of entry.

You should open a payroll deductions account as soon as you know when you will have employees. This account will allow you to make regular payroll deductions for your employees and make **remittances** on time. For information on how to make payroll deductions, see "Chapter 5 – Payroll deductions and remittances," on page 15.

If you decide to incorporate, you will need a BN to pay your corporate income taxes and to make instalment payments to your corporate account.

## Keeping records

### Five reasons why keeping records can benefit you

#### 1. Complete and organized records can help you identify the sources of your income.

You may receive cash or property from many different places. If you do not have records showing your income sources, you may not be able to prove that some sources are non-business or non-taxable.

#### 2. Complete and organized records can mean tax savings.

Good **records** serve as a reminder of deductible expenses and **input tax credits** (ITC). If you do not record your transactions, you may forget some of your expenses or input tax credits when you prepare your income tax or GST/HST returns. For more information on ITCs, see Guide RC4022.

#### 3. Complete and organized records can prevent most of the problems you might encounter if we audit your income tax or GST/HST returns.

If your records are so incomplete that auditors cannot determine your income from them, the auditors will have to use other methods to establish your income. This will cost you time. If your records do not support your claims, they could be disallowed.

#### 4. Your records will keep you better informed about the financial position of your business.

You need good records to establish your profit or loss, and the value of your business. Information from good records can also tell you what is happening in your business and why. The successful use of records can

show you trends in your business, let you compare performance in different years, and help you prepare budgets and forecasts.

#### 5. Complete and organized records may help you get loans from banks and other creditors.

Creditors need accurate information about your current financial position before they give you a loan. You cannot give them this information if you do not keep organized records. Also, good records show potential creditors that you know what is going on with your business.

### Legal requirements for keeping records

All records such as paper documents, as well as those stored in an electronic medium (such as on computer disk), must be kept in Canada or made available in Canada at our request. The records must be in English or French. For more information on keeping these types of records, go to [www.cra.gc.ca/records](http://www.cra.gc.ca/records), or see Guide RC4409, *Keeping Records*.

You can keep these documents outside Canada if you get written permission from us.

#### What records should you keep?

Make sure you keep orderly records of all income you receive. Also, keep all receipts, invoices, vouchers, and cancelled cheques indicating outlays of money. Such outlays include:

- salaries and wages;
- **operating expenses** such as rent, advertising, and capital expenditures; and
- miscellaneous items such as charitable donations.

If you import goods into Canada, your records must substantiate the price you paid for imported goods and list their origin and description. They must also include any documentation about the reporting, release, and accounting of the goods, as well as the payment of duties and taxes.

You should keep these records at your place of business or residence in Canada (unless you get written permission from us to keep them elsewhere). You have to make them available to us if you are asked to do so.

#### Your records must be permanent

Whichever accounting or record-keeping method you use, your records must be permanent. They must contain a systematic account of your income, deductions, credits, and other information you need to report on your income tax and GST/HST returns.

#### What information should your records contain?

It is not hard to keep records that meet the requirements of the law. However, incomplete records that use approximates instead of exact amounts are not acceptable.

Your records must:

- allow you to determine how much tax you owe, or the tax, duties, or other amounts to be collected, withheld, or deducted, or any refund or rebate you may claim; and

- be supported by vouchers or other necessary source documents. If you do not keep your receipts or other vouchers to support your expenses or claims, and there is no other evidence available, we may reduce the expenses or claims you have made.

## Retaining and destroying records

### The six-year requirement

You must retain records (other than certain documents for which there are special rules) for six years from the end of the last tax year to which they relate for income tax purposes, for six years from the end of the year to which they relate for GST/HST and excise **duty** purposes, or for six years after the goods are imported or exported.

If you filed your income tax return late, keep your records and supporting documents for six years from the date you filed the late return.

The minimum period for keeping records is usually measured from the last year you used the records, not the year the transaction occurred or the record was created.

You have to keep every record necessary for dealing with an **objection** or appeal until it is resolved and the time for filing any further appeal has expired, or until the six-year period mentioned above has expired, whichever is later.

### Request for early destruction

If you want to destroy your records before the six years are up, you must apply in writing to the director of the **tax services office** (TSO) in your area to obtain written permission from the CRA. To do this, either use Form T137, *Request for Destruction of Records*, or prepare your own written request. In addition to our requirements, there are other federal, provincial, and municipal laws that require you to keep records. We have no authority to approve destruction of records that these other laws require you to keep.

For more information, see Guide RC4409, and Information Circular IC78-10R5, *Books and Records Retention/Destruction*.

## Bringing assets into a business

There may be GST/HST implications when you transfer assets from one business structure to another. For more information on the GST/HST status of your particular situation, call 1-800-959-5525.

### Fair market value (FMV)

You may find yourself in a situation where you would like to take assets that belong to you personally and transfer them to your business.

If you are operating a sole proprietorship, this is a reasonably simple process. The *Income Tax Act* requires that you transfer these assets to the business at their **fair market value** (FMV). This means that we consider you to have sold these assets at a price equal to their FMV at that time. If the FMV at the time of the transfer to the business is greater than your original purchase price, you must report the difference as a capital gain on your income tax and benefit return.

You may also be able to claim a GST/HST **input tax credit** (ITC) based on the basic tax content of the assets you transfer to your business. For more information on basic tax content, go to [www.cra.gc.ca/gsthst](http://www.cra.gc.ca/gsthst) or call 1-800-959-5525.

Your business will show a purchase of these assets, with a cost equal to the FMV at the time of the transfer. This is the value that you will add to the **capital cost allowance** schedule for income tax purposes.

For income tax purposes, when you transfer the property to a Canadian partnership or a Canadian corporation, you may transfer the property to the partnership or the corporation for an elected amount. This amount may be different from the FMV, as long as you meet certain conditions. The elected amount then becomes your proceeds for the property transferred, as well as the cost of the property to the corporation or partnership.

The rules regarding these transfers of property are technical in nature. They allow you to change your business type from a sole proprietorship to a corporation or partnership; or from a partnership to a corporation, on a tax-free basis. For more information, see Interpretation Bulletin IT-291R3, *Transfer of Property to a Corporation Under Subsection 85(1)*, Information Circular IC76-19R3, *Transfer of Property to a Corporation Under Section 85*, and Interpretation Bulletin IT-413R, *Election by Members of a Partnership Under Subsection 97(2)*.

## Buying an existing business

When you are considering becoming a business owner, you will find that you have the option of either **buying an existing business** or **starting up a new business**. The option you choose will have a significant effect on how you account for the purchase of the business assets for income tax purposes.

When you buy an existing business, you generally pay a set amount for the entire business. In some cases, the sale agreement sets out a price for each asset, a value for the **inventory** of the business, and if applicable, an amount that you can attribute to **goodwill**.

If the individual asset prices are set out in the sale agreement, and the prices are reasonable, then you should use these prices to claim capital cost allowance.

If the individual asset prices are not set out in the contract, you have to determine how much of the purchase price you should attribute to each asset, how much to inventory, and how much, if any, to goodwill. These amounts should coincide with the amounts the vendor determined when reporting the sale.

The amount you allocate to each asset should be the FMV of the asset. You should allocate to goodwill the **balance** of the purchase price that remains after you allocate the FMV to each asset and to inventory.

## Chapter 3 – Goods and services tax and harmonized sales tax (GST/HST)

### Example

You purchase a business for a total purchase price of \$480,000. The FMV of the net identifiable assets of the business is as follows:

Accounts receivable.....	\$ 80,000
Inventory .....	40,000
Land.....	120,000
Building.....	<u>200,000</u>
<b>Total net identifiable assets.....</b>	<b>\$440,000</b>

You can determine the value of the goodwill by subtracting the total value of the net identifiable assets from the purchase price:

Purchase price .....	\$480,000
<b>Minus</b>	
Net identifiable assets .....	<u>440,000</u>
<b>Amount attributed to goodwill .....</b>	<b>\$ 40,000</b>

Once you have determined the values for the assets and the goodwill, add the fixed assets (such as buildings and equipment) into the appropriate classes for the purpose of claiming the capital cost allowance. The goodwill is considered to be an **eligible capital expenditure**, which is treated in a manner similar to assets eligible for capital cost allowance.

Treat the value of the inventory as a purchase of goods for resale, and include it in the calculation of **cost of goods sold** in your **income statement** at the end of the year.

For GST/HST purposes, if you buy a business or part of a business and acquire all or substantially all (at least 90%) of the property that can reasonably be regarded as necessary to carry on the business, you and the vendor may be able to jointly elect to have no GST/HST payable on the sale by completing Form GST44, *Election Concerning the Acquisition of a Business or Part of a Business*. You cannot use this **election** if the seller is a registrant but the buyer is not a registrant. In addition, you must buy all or substantially all of the property, and not only individual assets.

For the election to apply to the sale, you have to be able to continue to operate the business with the property acquired under the sale agreement. You have to file Form GST44, on or before the day you have to file the GST/HST return for the first reporting period in which you would have otherwise had to pay GST/HST on the purchase.

Even when you use the election, GST/HST will still apply to a taxable **supply** of a service made by the seller; a taxable supply of property made by way of lease, licence, or similar arrangement; and, where the purchaser is not a registrant, a taxable sale of real property.

Another way of buying an existing business is to buy the shares of a corporation. This does not affect the cost base of the assets of the business. As explained previously, a corporation is a separate legal entity and can own property in its own name. A change in the ownership of the shares will not affect the tax values of the assets the corporation owns. For GST/HST purposes, the purchase of shares of a corporation is generally not subject to GST/HST.

For more information on changes to your business, go to [www.cra.gc.ca/tx/bsnss/tpcs/lf-vnts](http://www.cra.gc.ca/tx/bsnss/tpcs/lf-vnts).

### What is the GST/HST?

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

The **participating provinces** harmonized their provincial sales tax with the GST to implement the HST. Generally, the HST applies to the same base of goods and services as the GST. In some participating provinces, there are point-of-sale rebates equivalent to the provincial part of the HST on certain designated items. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

### Should you register for the GST/HST?

You have to register for the GST/HST if:

- you provide **taxable supplies** in Canada; and
- you are not a small supplier.

You do not have to register if:

- 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 the tax). For more information, see Guide RC4022; or
- you are a non resident who does not carry on business in Canada (see Guide RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*).

### Small supplier

You are a small supplier and do not have to register if you meet **one** of the following conditions:

- you are a **sole proprietor** and your total revenues from taxable supplies (before expenses) from all your businesses are \$30,000 or less in the last four consecutive calendar quarters or in any single calendar quarter;
- you are a **partnership** or a **corporation** and your total revenues from taxable supplies (before expenses) are \$30,000 or less in the last four consecutive calendar quarters or in any single calendar quarter; or
- you are a **public service body** (charity, non-profit organization, municipality, university, public college, school authority, or hospital authority) and meet certain conditions. For more information, see Guide RC4082, *GST/HST Information for Charities*.

**Total revenues** from taxable supplies means your worldwide revenues from your supplies of goods and services that are subject to the GST/HST (including zero-rated supplies), or that would be subject to the tax if supplied in Canada. It does not include goodwill, financial services, and sales of capital property. You also have to include the total revenues from taxable supplies of all of your associates in this calculation. For more information about taxable supplies, see Guide RC4022.

**Note**

If your total revenues from taxable supplies are over \$30,000 in a single calendar quarter or over four consecutive calendar quarters, you are no longer a small supplier and you have to register for the GST/HST.

**Exception**

Taxi and limousine drivers and non-resident performers selling admissions to seminars, performances, and other events must register for the GST/HST, even if they are small suppliers.

**Effective date of registration**

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 have 29 days from this day to apply for registration.

**Example**

Zuly began her business on January 1, 2011. Her sales during the first three calendar quarters ending September 30 were \$25,000, meaning she was still a small supplier. In the quarter from October 1 to December 31 she had sales of \$40,000, which included an order on November 20 for \$15,000 that pushed her taxable sales above \$30,000 for the quarter. That means Zuly was no longer a small supplier as of November 20 and she had to charge the GST/HST on the \$15,000 sale and any taxable sale made after that. She has 29 days after that day to register (although she is considered to be a GST/HST registrant as of November 20, she has until December 19, 2011 to be registered).

If you are under the threshold amount in one calendar quarter, but you are over the threshold during four consecutive calendar quarters, you are considered to be a small supplier for those four calendar quarters and a month following those quarters. Your effective date of registration would be the day the first supply was made after you cease being a small supplier. You have 29 days from this day to register for the GST/HST.

**Example**

Using the above example, Zuly had the same sales, except for the November 20 sale. Her sales in the quarter ended December 31, 2011, were \$25,000 (less than \$30,000 for the quarter but more than \$30,000 over four quarters). She is a small supplier until January 31, 2012. Any taxable sale she

makes on February 1, 2012, or after is subject to GST/HST. She has until March 1, 2012, to register.

**Voluntary registration**

If you are a small supplier and you are engaged in a commercial activity in Canada, you can **choose** to register voluntarily, even though you do not have to. If you register voluntarily, you have to charge and remit the GST/HST on your taxable supplies of goods and services, and you can claim ITCs for the GST/HST paid or payable on purchases related to these supplies. You have to stay registered for at least one year before you can ask to cancel your registration. For more information, see Guide RC4022.

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 can register for a GST/HST account, you need a business number (BN). Your BN will be your business identification for all your dealings with us. For more information, see “The business number,” on page 10.

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

**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, see “Are you doing business in Quebec?” on page 10.

**Chapter 4 – Excise taxes, excise duties and softwood lumber products export charge**

**What are excise taxes and excise duties?**

There are two types of federal levies on products manufactured or produced in Canada: **excise taxes** and **excise duties**.

These levies are applied to a limited range of goods at different rates and in different ways, depending on the product. Excise tax and excise duty apply to the goods before GST/HST is added on.

**Excise taxes**

Excise taxes are charged on:

- fuel-inefficient vehicles;
- automobile air conditioners; and
- certain petroleum products.

## Notes

The excise tax on jewellery was eliminated effective May 2, 2006.

The heavy vehicle weight tax was replaced by the fuel-inefficient vehicle tax effective March 19, 2007.

The *Excise Tax Act* sets out the **rates of tax** for each of these goods.

When goods are manufactured in Canada, excise tax is payable at the time the goods are delivered to the purchaser. When they are imported, excise tax is payable by the importer, at the time the goods are imported.

Under certain circumstances, you may be able to claim a refund of the excise taxes you paid.

Manufacturers need an excise tax licence ("E" licence) unless they qualify as a small manufacturer. You qualify as a small manufacturer if your total annual sales are not more than \$50,000.

A wholesaler licence ("W" licence) allows you to buy goods for resale without paying excise taxes. You may qualify for a W licence under certain limited circumstances, thereby enabling you to buy goods exempt of excise tax and to collect and remit the excise tax at the time you sell the goods.

For more information, go to [www.cra.gc.ca/ets1](http://www.cra.gc.ca/ets1) or call 1-866-330-3304.

## Excise duties

Excise duties are charged on spirits, wine, beer, and **tobacco products**. The rates of duty on spirits, wine, and tobacco products are set out in the *Excise Act, 2001* and duty rates on beer are contained in the *Excise Act*.

When these goods are manufactured in Canada, duty is payable on goods at the point of packaging rather than at the point of sale. Generally, when they are imported into Canada, duty is payable by the importer at the time the goods are imported.

All persons who manufacture these goods in Canada must be licensed. Most **licensees** must provide security of at least \$5,000.

For more information, go to [www.cra.gc.ca/exciseduty](http://www.cra.gc.ca/exciseduty) or contact the nearest **Regional Excise Duty Office**. For a listing of their numbers, see Excise Duty Memoranda EDM1-1-2, *Regional Excise Duty Offices*, at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms).

## Softwood lumber products export charge

The *Softwood Lumber Products Export Charge Act, 2006* is the implementing legislation for an export charge introduced under the *Softwood Lumber Agreement, 2006 (SLA 2006)* between the governments of Canada and the United States (U.S.). The Act imposes a charge on certain softwood lumber products exported to the U.S. after October 11, 2006. Products subject to the export charge are defined by the SLA 2006, and are included on the Export Control List under *Export and Import Permits Act*, administered by the Department of Foreign Affairs and International Trade.

Every person who exports softwood products subject to the charge to the U.S. is required to register with the CRA on or before the day on which the products are exported. To register, exporters must complete a B253, *Softwood Lumber Products Export Charge – Registration Form*. This form is available at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) and must be sent to the following address:

Surrey Tax Centre  
Softwood Lumber Division  
9755 King George Boulevard  
Surrey BC V3T 5E1

Every person who is registered must file, on a monthly basis, Form B275, *Softwood Lumber Products Export Charge Return*, in which they calculate the charge(s) imposed during the calendar month. The return and the export charge payment are due on or before the last day of the month following the month during which a charge was imposed. For example, a return and a payment for the month of January will be due on or before the last day of February.

For more information, go to [www.cra.gc.ca/softwood](http://www.cra.gc.ca/softwood). For information on registration or returns and payments, call 1-800-935-0313.

For technical enquiries regarding the *Softwood Lumber Products Export Charge Act, 2006*, call 1-866-330-3304.

## Chapter 5 – Payroll deductions and remittances

If you are an employer, you must make regular deductions from your employees' remuneration.

You are an employer if:

- you pay salaries, wages (including advances), bonuses, vacation pay, or tips to your employees; or
- you provide certain **taxable benefits** or allowances such as board and lodging to your employees.

An individual is an employee if the employment arrangement between the worker and the payer is an employer-employee relationship. Although a written contract might indicate that an individual is self-employed (working under a contract for services), we may not consider the individual as such if there is evidence of an employer-employee relationship. For more information on employment status, see Guide RC4110, *Employee or Self-Employed?*

### Your responsibilities

As an employer, you are responsible to:

- deduct CPP/QPP contributions, EI premiums, and income tax from amounts you pay to your employees;
- remit these deductions **along with your share** of CPP/QPP contributions and EI premiums that you have to pay throughout the year on your employees' behalf; and

- report the employees' remuneration and deductions on the T4 information return and give **information slips** to your employees.

## Do you need to register for a payroll account?

You need to register for a payroll account if you:

- pay salaries or wages;
- pay tips and gratuities;
- pay bonuses and vacation pay;
- provide benefits and allowances to employees; or
- need to deduct, remit and report amounts from other types of remuneration (such as pension or superannuation).

If you need a payroll account and you already have a business number (BN), you only need to add a payroll account to your existing BN. However, if you don't have a BN, you must request one and register for a payroll account before your first remittance due date. For more information, see "The business number," on page 10.

## What to deduct from your employees' remuneration

You are responsible for deducting **Canada Pension Plan (CPP)** or **Quebec Pension Plan (QPP)** contributions, **Employment Insurance (EI)** premiums, and income tax from your employees' remuneration.

To calculate your various deductions, use the Payroll Deductions Online Calculator (PDOC), available at [www.cra.gc.ca/pdoc](http://www.cra.gc.ca/pdoc), or see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*, Guide T4032, *Payroll Deductions Tables* or Guide T4127-JAN, *Payroll Deductions Formulas for Computer Programs*. These electronic services and publications can help you determine how much to deduct and what type of income is pensionable, insurable or taxable.

Payroll deductions can be complicated. If you are having trouble with them, go to [www.cra.gc.ca/payroll](http://www.cra.gc.ca/payroll) or call 1-800-959-5525. We offer an on-site consultative service to provide any help you may need with payroll deductions. As part of the Employer Visits Program, we can visit you to help with problems you have.

### Canada Pension Plan/Quebec Pension Plan

The Canada Pension Plan (CPP) came into effect as a way to provide financial assistance to Canadians when they retire from the workforce. Every person who works in Canada is eligible to get benefits when he or she retires.

If you run a business in Quebec, you deduct Quebec Pension Plan (QPP) contributions instead of CPP. You remit the payments to Revenu Québec instead of the Receiver General for Canada.

Both employees and employers contribute to the CPP or the QPP. But you, as an employer, are responsible both for deducting CPP or QPP contributions from your employees'

pensionable earnings and for matching those contributions yourself.

For information on the QPP, visit the Revenu Québec Web site at [www.revenu.gouv.qc.ca/en/entreprise/retenuess/cotisations/rrq\\_employe.aspx](http://www.revenu.gouv.qc.ca/en/entreprise/retenuess/cotisations/rrq_employe.aspx).

## Employment Insurance

Employment insurance (EI) is a federally administered insurance program that gives financial assistance to people who are unemployed. It also helps people get training for jobs.

As an employer, you are responsible for deducting EI premiums from your employees' insurable earnings.

The rates for EI premiums may vary from year to year. Go to [www.cra.gc.ca/payroll](http://www.cra.gc.ca/payroll) for the most current rates.

### Note

You must also make your own contributions to EI on behalf of your employees. Generally, the employer's contribution will be slightly more than the employee's.

## Income tax

As an employer, you are responsible for deducting income tax from the salaries, wages, or other remuneration you pay your employees.

Since employees fall into various categories (such as fishers, employees who get paid commissions and claim expenses, etc.), you need various forms, such as federal and provincial forms TD1, *Personal Tax Credits Return*, to help you decide what to deduct from their remuneration. For more information on these forms, see Guide T4001.

## Remittances

As an employer, you have to remit the CPP contributions, the EI premiums, and the income tax deducted from your employees' income, along with your share of CPP contributions and EI premiums.

Remittances are deemed to have been made on the day on which it is received by the Receiver General, and as such, you should choose the appropriate remittance method to meet your due date.

These deductions, along with your remittance form, must be received by us on or before your remittance due dates. Due dates vary depending on the type of remitter you are.

Most employers are required to remit withholding amounts on a monthly basis; large employers remit more frequently. As a small business employer, you may be able to make quarterly remittances of taxes and payroll deductions.

For the different remittance methods you can choose from when remitting your payroll deductions, go to [www.cra.gc.ca/payroll](http://www.cra.gc.ca/payroll) or see Guide T4001.

You can check your payroll remittance requirements using the "View remitting requirements" service, available at My Business Account at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).



## How to report payroll deductions

Generally, you report your employees' salary, wages, and taxable benefits, as well as any deductions, on the T4 slip, *Statement of Remuneration Paid*. You can get a copy of this slip at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms), by calling 1-800-959-2221, or from the nearest TSO.

You have to fill out and give your employees their copies of the T4 slip no later than the end of February following the **calendar year** to which the slip relates. Late filing **penalties** may apply, read "Late remitting / Failure to remit" at [www.cra.gc.ca/tx/bsnss/tpcs/pyrll/hwpyrllwrks/pnlty/pnlts/menu-eng.html](http://www.cra.gc.ca/tx/bsnss/tpcs/pyrll/hwpyrllwrks/pnlty/pnlts/menu-eng.html).

For more information about T4 reporting requirements and the different filing methods, go to [www.cra.gc.ca/slips](http://www.cra.gc.ca/slips) or see Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

If you use payroll, commercial or in-house-developed software to manage your business, you can submit files up to 150 MB over the Internet using the Internet File Transfer application. To know more about this filing method, go to [www.cra.gc.ca/file-xml](http://www.cra.gc.ca/file-xml). More information on filing information returns electronically is also available at [www.cra.gc.ca/iref](http://www.cra.gc.ca/iref).

## Chapter 6 – Income tax

This chapter introduces you to the process of reporting earnings and paying income tax on your business's profits. It will explain how to account for what your business earns, and what kinds of income you have to report. It also tells you what expenses you are allowed to deduct.

### Accounting for your earnings

Generally, you have to report business income (other than farming or fishing income) using the accrual method of accounting. Farmers or fishers may use the cash method or the accrual method, but not a combination of both.

#### The accrual method

Under the accrual method, you have to report income in the fiscal period you earn it, regardless of when you receive payment.

Similarly, you deduct allowable expenses in the fiscal period in which you incur them, whether or not you pay for them in that period. **Incur** usually means you either paid or will have to pay the expense.

#### The cash method

Under the cash method, you report income in the year in which it is received (whether in cash, property, or services) and you deduct allowable expenses as they are paid in the year in which you actually pay them, except **prepaid expenses**. If you are a farmer, fisher, or self-employed commissioned sales agent, you can use the cash method.

For more information about the cash method, see Guides T4002, *Business and Professional Income*, T4003, *Farming Income*, or T4004, *Fishing Income*.

### How to keep sales and expense journals

You should keep a day-to-day record of your receipts and expenses. Keep this record along with your duplicate deposit slips, bank statements, cancelled cheques, and receipts. This will support your sales revenue and expenditure claims.

### How to record your business expenses

You can generally deduct **business expenses** if you incur them for the sole purpose of producing income. If you claim expenses, you have to be able to back up your claim. You do this by keeping all your business-related vouchers and receipts, and recording all your expenses in a journal, a computerized file, or a software accounting program.

### Fiscal period

You have to report your business income on an annual basis. For sole proprietorships, professional corporations that are members of a partnership, and partnerships in which at least one member is an individual, professional corporation, or another affected partnership, your business income is generally reported on a calendar-year basis.

If you are a sole proprietor or if you are in a partnership in which all the members are individuals, you can elect to have a non-calendar year fiscal period. To do this, use Form T1139, *Reconciliation of Business Income for Tax Purposes*, to file your election. You need to file this form by a specific date. For more information, see Guide RC4015, *Reconciliation of Business Income for Tax Purposes*.

A corporation's tax year is its fiscal period. A fiscal period cannot be longer than 53 weeks (371 days). A **new** corporation may choose any tax year-end as long as its first tax year does not exceed 53 weeks from the date it was either incorporated or formed as a result of an amalgamation. The corporation has to file its income tax return within six months of the end of its fiscal period. When the fiscal year ends on the last day of the month, the return is due on or before the **last** day of the sixth month after the end of the tax year. When the fiscal year ends on a day other than the last day of the month, the return is due on or before the **same** day of the sixth month after the end of the tax year.

The rules governing fiscal periods are complicated. It is a good idea to get familiar with them before you get into business. For more information, see Guide RC4015, and Guide T4002.

#### Note

If you are a GST/HST registrant, your decision about your fiscal period-end for income tax purposes may affect your GST/HST reporting periods, as well as your filing and remitting due dates. For more information, see Guide RC4022, *General Information for GST/HST Registrants*, or call 1-800-959-5525.

## Income

This part gives you an overview of the business income that you should account for in your records for income tax purposes.

### Types of income

During the year, you may receive income from your business and from sources other than your actual sales. If they relate to your business, you have to include them in your business income.

#### What is business income

Business income includes money you earn from a profession, a trade, a manufacture or undertaking of any kind, an adventure or concern in the nature of trade, or any other activity you carry on for profit and there is evidence to support that intention. For example, income from a service business is business income. However, business income does not include **employment income**, such as wages or salaries received from an employer.

##### Note

You have to report all amounts of income that are required for calculating income for tax purposes. If you fail to report all your income, you may be subject to a penalty of 10% of the amount of income that you failed to report.

#### How to account for your business income

Business owners have to provide information about their business income and expenses.

Although we accept other types of financial statements, we encourage you to use the following forms if they apply to you:

- Form T2125, *Statement of Business or Professional Activities*;
- Form T2042, *Statement of Farming Activities*;
- Form T1163, *Statement A – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals*;
- Form T1164, *Statement B – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations*;
- Form T1273, *Statement A – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals*;
- Form T1274, *Statement B – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations*; and
- Form T2121, *Statement of Fishing Activities*.

You will find instructions on completing them in the income tax guides on our Web site.

We have designed these forms to accommodate the most common types of income and expense categories used in business, so it should be easy for you to set up your accounting records. You may use the categories included on these forms when you establish your accounting records.

You must also record as income any amount credited to your account or set aside for you as payment for providing goods and services. This also includes amounts credited to your accounts as offsets against an amount you owe.

You must support all income entries in your records with original documents—sales invoices, cash register tapes, receipts, fee statements, and contracts. Keep the supporting documents in chronological or numerical order and make them available if we ask to see them.

You should also keep a separate record of your income from all other sources, such as professional fees and income from property, investments, taxable capital gains, estates, trusts, employment, and pensions.

#### Bad debts

If, during the year, you received any amount that you wrote off as a **bad debt** in a previous year, you have to include the amount in your income for the current year.

For more information, see Interpretation Bulletin IT-442R, *Bad debts and Reserves for Doubtful Debts*.

There may be GST/HST implications on the recovery of bad debts. For more information, see Guide RC4022.

#### Reserves

You have to bring any **reserve** you claimed in a given year back into income in the following year. The *Income Tax Act* allows you to take a new reserve based on your circumstances at that time.

For more information, see Interpretation Bulletin IT-154R, *Special Reserves*.

#### Vacation trips and awards

If you received vacation trips or other awards of any kind (such as jewellery or furniture) as a result of your business activities, you must include the value of these awards in your business income.

Vacation trips and awards may have GST/HST implications. For more information, see Guide RC4022.

#### Government grants and subsidies

If you receive a grant or subsidy from a government or government agency, you have to report it either as income or as a reduction of an expense. Generally, a grant or subsidy:

- increases your income or reduces your expenses;
- relates to an income deficiency; or
- relates to specific expenses.

For example, if you are a farmer and you received a payment to subsidize your income in a drought year, you would add the payment to your income. However, if you are a business that receives a government employment grant to allow you to hire more students, you would generally deduct it from the wage expense you are claiming.

Government assistance that enables you to acquire capital property does not increase your **net income**. However, in the case of **depreciable property**, you reduce the capital

cost of the property by the amount of the assistance you received. In the case of other capital property, reduce the adjusted cost base accordingly.

For more information, see Interpretation Bulletin IT-273R2, *Government Assistance – General Comments*.

### Surface rentals for petroleum or natural gas exploration

If you have land that you usually use in your farming or business operation, and you are leasing it out for petroleum or natural gas exploration, you may have to include the leasing proceeds in your income either as a capital receipt or as an income receipt.

For more information, see Interpretation Bulletin IT-200, *Surface Rentals and Farming Operations*.

### Rental income

Rental income can be either income from property or income from business. Income from rental operations is usually income from property.

Do not include rental income, whether from farm property or real estate, with your business or farming income. You have to report it separately on your tax return.

To determine the type of rental income you have, and how to report it, see Guide T4036, *Rental Income*.

### Barter transactions

A barter transaction takes place when any two persons agree to an exchange of goods or services, and carry out that exchange without using money.

If you are involved in a barter transaction, the goods or services you receive could be considered proceeds from a business operation. If you are in a business or profession that provides goods or services, and you offer these goods or services in a barter transaction in exchange for other goods or services, you have to include the value of the goods or services you provided in your income.

Barter transactions may also have GST/HST implications. For more information, see Guide RC4022, or call us at 1-800-959-5525.

### Selling a property

If you sell a capital property, you may have to include certain amounts in your income, such as:

- a recovery of capital cost allowance, known as **recapture**; and
- part of any capital gain you realize on the sale.

Generally, you have a capital gain or a capital loss when you dispose of capital property. For example, if you sell a piece of land for more than it cost, you have a capital gain as a result. Similarly, if you sell the land for less than it cost, you have a capital loss.

For more information on **capital gains** and **capital losses**, see Guide T4037, *Capital Gains*. For special rules relating to farmers, see Guide T4003.

There may be GST/HST implications when you sell a property. For more information, see Guide RC4022.

## Inventory and cost of goods sold

To match expenses with income, you need to prepare an annual inventory. This is usually a list of goods held for sale. If you are a manufacturer, this includes raw materials as well as packaging material and supplies, work-in-progress (goods and services that you have not yet completed at the end of your fiscal period), and finished goods that you have on hand. Inventory is used in the calculation of the cost of goods sold, which allows the calculation of net income on Form T2125.

However, if you have a professional practice and you are an accountant, dentist, lawyer, medical doctor, notary, veterinarian, or chiropractor, you may elect to exclude your work-in-progress when you determine inventory.

### How to value your inventory

The value you place on the items in your year-end inventory is important in determining your income. For income tax purposes, the two acceptable methods of valuing your inventory are by determining:

- the fair market value of your entire inventory (use either the price you would pay to replace an item, or the amount you would get if you sold an item); or
- the value of individual items (or classes of items, if specific items are not readily distinguishable) in the inventory, at either their cost or their fair market value, whichever is lower.

Once you choose a method of inventory valuation, you must continue to use this method in subsequent years. For more information, see Interpretation Bulletin IT-473R, *Inventory Valuation*.

## Expenses

This section gives you an overview of the business expenses that you can claim for income tax purposes. For more information, go to [www.cra.gc.ca/business](http://www.cra.gc.ca/business) or see Guide T4002.

### What are business expenses?

A business expense is a cost you incur for the sole purpose of earning business income.

You must back up business expense claims with a sales invoice, an agreement of purchase and sale, a receipt, or some other voucher that supports the expenditure. If you pay cash for any business expenses, be sure to get receipts or other vouchers. Receipts should include the vendor's name and the date.

### Running a business from your home

You can deduct expenses for the business use of a work space in your home, as long as you meet **one** of these conditions:

- it is your principal place of business; or
- you use the space only to earn your business income, and you use it on a regular and ongoing basis to meet your clients or customers.

You can deduct a part of your maintenance costs, such as heating, home insurance, electricity and cleaning materials. You can also deduct a part of your property taxes, mortgage interest, and capital cost allowance (CCA). To calculate the part you can deduct, use a reasonable basis, such as the area of the work space divided by the total area of your home.

For more information, see Guide T4002.

## Types of operating expenses

### Personal or living expenses

In most cases, you cannot deduct personal and living expenses, except for travelling expenses you incur in the course of carrying on a business while away from home.

The general rule is that you cannot deduct outlays or expenses that are not related to earning business income.

### Prepaid expenses

A prepaid expense is an expense you pay ahead of time. If you use the accrual method of accounting, claim any expense you prepay in the year or years in which you receive the related benefit.

For more information, see Interpretation Bulletin IT-417R2, *Prepaid Expenses and Deferred Charges*.

### Accounting and legal fees

You can deduct the fees you incurred for external professional advice or services, including consulting fees.

You can deduct accounting and legal fees you incur to get advice and help in keeping your records. You can also deduct fees you incur for preparing and filing your income tax and GST/HST returns.

For more information, see Interpretation Bulletin IT-99R5-CONSOLID, *Legal and Accounting Fees*.

### Advertising expenses

You can deduct expenses for advertising, including ads in Canadian newspapers and on Canadian television and radio stations. You can also include any amount you paid as a finder's fee.

Certain restrictions apply to the amount of the expense you can deduct for advertising in a periodical. You can deduct all the expense if your advertising is directed to a Canadian market and the original editorial content in the issue is 80% or more of the total non-advertising content in the issue.

You can deduct 50% of the expense if your advertising in a periodical is directed to a Canadian market and the original editorial content in the issue is less than 80% of the total non-advertising content in the issue.

You cannot deduct expenses for advertising directed mainly to a Canadian market when you advertise with a foreign broadcaster.

### Business tax, fees, licences, and dues

You can deduct any annual licence fees and business taxes you incur to run your business.

You can also deduct annual dues or fees to keep your membership in a trade or commercial association. However, you cannot deduct club membership dues (including initiation fees) where the main purpose of the club is to provide dining, recreational, or sporting facilities for its members.

### Insurance expenses

You can deduct all regular commercial insurance premiums you incur on any buildings, machinery, and equipment that you use for your business.

### Interest and bank charges

You can deduct the interest you incur on money you borrow to run your business. However, there are some limits.

There is a limit on the interest you can deduct on money you borrow to buy a passenger vehicle. For more information, see "Motor vehicle expenses" in Guide T4002.

There is also a limit on the amount of interest you can deduct for vacant land.

You can choose to capitalize the interest you pay on the money you borrow for the following purposes:

- to buy depreciable property;
- to buy a resource property; or
- for exploration and development.

In the case of exploration and development, when you choose to capitalize interest, you add the interest to either the cost of the property or the exploration and development costs.

Do not deduct the capitalized interest as a current expense. See "Interest" in Guide T4002. If you need more information, call 1-800-959-5525.

### Maintenance and repairs

You can deduct the cost of labour and materials for any minor repairs or maintenance done to property you use to earn income. However, you cannot deduct the value of your own labour.

You cannot deduct costs you incur for repairs that are capital in nature. However, you may be able to claim CCA on the repaired property. A capital expense generally gives a lasting benefit or advantage. For example, the cost of putting vinyl siding on the exterior walls of a wooden house is a capital expense. For more information about capital cost allowance, see Guide T4002.

### Meals and entertainment

The maximum part you can claim for food, beverages, and entertainment expenses is 50% of either the amount you incur or an amount that is reasonable in the circumstances, whichever is less.

The 50% limit also applies to the cost of your meals when you travel or go to a convention, conference, or similar event. However, special rules can affect your claim for meals in these cases. For more information, see "Meals and entertainment," "Convention expenses," or "Travel," in Guide T4002.

For more information, see Interpretation Bulletin IT-518R, *Food, Beverages, and Entertainment Expenses*.

### Motor vehicle expenses

You can deduct expenses you incur to run a motor vehicle that you use to earn business income. However, several factors can affect your deduction.

#### What kind of vehicle do you own?

The kind of vehicle you own can affect the expenses you deduct. For income tax purposes, there are two types of vehicles (see "Definitions," on page 4):

- **Motor vehicle;** and
- **Passenger vehicle.**

For more information about capital cost allowance limits, interest limits, and leasing costs, see Guide T4002.

You can deduct motor vehicle expenses only when they are reasonable and you have receipts to support them.

The types of expenses you can deduct include:

- fuel and oil;
- maintenance and repairs;
- insurance;
- licence and registration fees;
- capital cost allowance;
- interest you pay on a loan used to buy the motor vehicle; and
- leasing costs.

For more information about motor vehicles, see Guide T4002.

### Office expenses

You can deduct the cost of office expenses, which include small items such as pens, pencils, paper clips, stationery, and stamps. Office expenses do not include items such as calculators, filing cabinets, chairs, and desks, which are capital items. For more information, see Guide T4002.

### Salaries, including employer's contributions

You can deduct salaries you pay to employees. You report these salaries by the end of February on a T4 slip, *Statement of Remuneration Paid*, or T4A slip, *Statement of Pension, Retirement, Annuity and Other Income*. For more information on these slips, see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

### Can you deduct business start-up costs?

To be able to deduct a business expense, you had to have carried on a business in the fiscal period in which the expense was incurred. Because of this, you have to be very clear about the date your business started.

Determining exactly what you can claim as a start-up expense can be difficult. For more information, see Interpretation Bulletin IT-364, *Commencement of Business Operations*, or Guide RC4022.

## Chapter 7 – Audits

### What is an audit?

Auditing is a way for the CRA to monitor and inspect GST/HST and income tax returns, excise taxes and duties, and payroll records. Although there is a high standard of compliance with the law in Canada, audits help us maintain public confidence in the fairness and integrity of Canada's tax system.

### How we select files to audit

Your tax return is recorded in a computer system that enables us to select returns to be audited. The system also allows us to sort returns into various groups to help with our selection.

In some cases, we compare selected financial information for current and previous years of taxpayers engaged in similar businesses or occupations. From computer-generated lists of returns for potential audit, we then choose specific returns. Most returns are selected in this way. But there are four common ways of selecting files.

#### 1. Computer-generated lists

Most returns are selected for audit review from computer-generated lists. For example, the computer system can compare selected financial information of taxpayers engaged in similar business or occupations and generate lists of returns with audit potential. From these lists, we choose specific returns to be audited.

#### 2. Audit projects

In some cases, we test the compliance of a particular group of taxpayers. If the test results indicate that there is significant non-compliance within the group, we may audit its members on a local, regional, or national basis.

#### 3. Leads

Leads include information from other audits or investigations, as well as information from outside sources.

#### 4. Secondary files

Sometimes we select files for audit because of their association with other previously selected files. For example, if you are in partnership with another taxpayer, and that person's file has been selected for audit, it is usually more convenient to examine all the records at the same time.

### How we conduct audits

If your return is selected, an auditor will review your records at a CRA office (office audit) or at your place of business (field audit). The audit usually includes an examination of the following documents:

- information on file at the CRA, such as the returns selected for audit, financial statements, audit reports from previous audits, if any; and

- your business records including your ledgers, journals, bank accounts, sales invoices, purchase vouchers, and expense accounts.

The auditor will contact you and either request that you send specific records to a CRA office, or arrange a convenient date and time to start the audit at your place of business.

If a field audit is required, upon arriving at your place of business, the auditor will present an identification card. Before examining your records, the auditor may want to discuss the general nature of your business, or tour the premises to get a better understanding of the transactions recorded in your books.

Throughout the process, the auditor may need to get information and help from your employees, particularly those who do your accounting.

### Delays in the audit, and how to avoid them

The time an audit takes depends on the state of your accounting records and related documents, as well as the size and complexity of your business. Your co-operation will help keep this time to a minimum.

Well-kept records will reduce the time required to complete the audit. Refer to the record-keeping guidelines on page 11 of this guide.

### Finalizing an audit

When the audit is completed, the auditor may propose certain adjustments to your return. He or she will prepare a summary of the proposed adjustments.

Initially, the auditor will discuss this with you or your representative. If you request it, or if it is reasonable to expect that you will need some time to analyze the proposed adjustments, the auditor will confirm the proposal in writing and allow a reasonable time for your reply.

If you provide additional information within this period, the auditor will consider it and will issue a new proposal letter, if applicable.

If there are no proposed adjustments to your return, the auditor will inform you of this when the audit is completed.

If there are changes, you will be issued a **notice of assessment** or a notice of reassessment.

#### Note

The auditor's role is to determine the correct amount of duty or **tax payable**. This may mean that your taxes will be reduced and you will get a refund as a result.

### Underground economy

The underground economy typically involves commercial activity that is unreported for tax purposes. It is of concern to the CRA, as well as provincial, territorial and municipal jurisdictions, and all law-abiding businesses and individuals across the country.

The underground economy hurts all Canadians. Those who participate in the underground economy avoid their tax

responsibilities at your expense, and place an unfair burden on all law-abiding taxpayers. Unpaid taxes mean less money for programs, such as health care, childcare, employment insurance and pensions.

Know the businesses and individuals with whom you are dealing, and use the information at your disposal, including our Web site to recognize those who are participating in the underground economy. For more information, go to [www.cra.gc.ca/undergroundeconomy](http://www.cra.gc.ca/undergroundeconomy).

### Tax Alert

#### Protect yourself!

The CRA knows that most taxpayers, given the proper tools and information, will voluntarily meet their tax obligations.

The CRA web site contains information that will help taxpayers understand how to protect themselves against tax schemes, and understand the consequences they might face.

For example, some taxpayers don't realize the financial and personal risks they are exposed to by paying cash for home renovations. And some taxpayers don't know that participating in certain tax shelter schemes to avoid paying taxes could mean not only a loss of their principal, the repayment of taxes owed, and penalties and interest – it could also lead to fines and imprisonment.

Information is the key! For more information about how to protect yourself against tax schemes, go to [www.cra.gc.ca/alert](http://www.cra.gc.ca/alert).

## Chapter 8 – Objections and appeals

### What to do if you disagree with a tax assessment

If you do not understand or you disagree with an **assessment**, call 1-800-959-8281. You can also write to the **tax centre** that dealt with your return. We resolve many problems with assessments in this way. If you employ the services of a tax professional, you may wish to consult with that person. If you disagree with the assessment you have the right to file an objection.

#### The objection process

Under income tax, GST/HST and Excise legislation, you can file an objection if you disagree with your notice of assessment or notice of reassessment and you think that the law has been applied incorrectly.

**Income tax** – You can do this by using the “Register my formal dispute” option at My Account by going to [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount), or by sending Form T400A, *Objection – Income Tax Act*, or a signed letter addressed to the Chief of Appeals, at your designated Appeals Intake Centre.

Residents of the provinces west of Ontario and the three territories should send the objection to the following address:

Western Intake Centre  
Burnaby/Fraser Tax Services Office (TSO)  
9737 King George Boulevard  
PO Box 9070 Station Main  
Surrey BC V3T 5W6

Residents of Ontario and provinces east should send the objection to the following address:

Sudbury Intake Centre  
Sudbury TSO  
Appeals Division  
1050 Notre Dame Avenue  
Sudbury ON P3A 5C1

For more information, go to  
[www.cra.gc.ca/resolvingdisputes](http://www.cra.gc.ca/resolvingdisputes).

If you are an individual (other than a trust) or if you are filing for a testamentary trust, you must file your objection by the later of:

- one year after the due date of the return; or
- 90 days after the date we mailed your notice of assessment or notice of reassessment.

In every other case, you have to file your objection within 90 days of the day we mailed the notice of assessment or notice of reassessment.

**GST/HST** – You must use Form GST159, *Notice of Objection (GST/HST)*, to file your objection. Send it to the Chief of Appeals at your designated Appeals Intake Centre within 90 days of the day we mail the notice of assessment or notice of reassessment.

When we receive your objection, the Appeals Division will conduct an independent impartial review of the assessment. If the Chief of Appeals agrees with you in whole or in part, we will adjust your return and send you a notice of reassessment. However, if the Chief of Appeals disagrees, we will send you a notice of confirmation confirming that the assessment was correct.

In the province of Quebec, Revenu Québec administers the GST/HST. To get information on time limits and how to file an objection to a GST assessment or reassessment, contact Revenu Québec directly. For more information, visit their Web site at [www.revenu.gouv.qc.ca/en/entreprise/taxes/tvq\\_tps/default.aspx](http://www.revenu.gouv.qc.ca/en/entreprise/taxes/tvq_tps/default.aspx).

**Excise Act, 2001** – You must use Form E680, *Notice of Objection (Excise Act, 2001)*, to file your objection within 90 days of the day we mailed the notice of assessment or notice of reassessment. Send your objection to the following address:

Assistant Commissioner, Appeals Branch  
14th Floor  
250 Albert Street  
Ottawa ON K1A 0L5

**Other taxes** – Use one of the following forms to file your objection to an assessment under the non-GST/HST portions of the *Excise Tax Act*, the *Softwood Lumber Products*

*Export Charge Act, 2006*, or the *Air Travellers Security Charge Act*. Send the completed objection Form E413, *Notice of Objection (Excise Tax Act)*, Form RC45, *Notice of Objection (Softwood Lumber Products Export Charge Act, 2006)*, or Form E676, *Notice of Objection (Air Travellers Security Charge Act)* to the address provided on the back of the form.

**CPP/EI** – If you think we have misinterpreted the facts or applied the law incorrectly, you have the right to **appeal** assessments and rulings related to the CPP and EI. To file an appeal to the Minister, you can:

- use My Business Account;
- mail your appeal directly to the CPP/EI Appeals office located in your region or to any TSO;
- if you want to appeal a ruling of CPP and/or EI, you can use Form CPT100, *Appeal of a Ruling under the Canada Pension Plan and/or Employment Insurance Act*; or
- if you want to appeal an assessment of CPP and/or EI, you can use Form CPT101, *Appeal of an Assessment under the Canada Pension Plan and/or Employment Insurance Act*.

In all cases, you can choose to send a letter detailing your request, signed by the appellant or by an authorized officer of the corporation.

## Tax Court of Canada

If you still do not agree, you can appeal our decision to the **Tax Court of Canada**. You have 90 days from the date we mail our decision on your objection (a notice of reassessment or a notice of confirmation). You can also file an appeal to the Tax Court of Canada if we do not notify you of our decision within 90 days of the date you filed your income tax objection, or within 180 days of the date you filed a GST/HST or excise duty objection.

The Tax Court of Canada deals with appeals under the informal or general procedure.

### Informal procedure

This procedure is designed to resolve less complex cases involving smaller amounts of taxes, interest, and penalties. You have to indicate in your appeal that you want the Court to hear your case under this procedure.

Through a series of strict time frames built into this procedure, decisions should be made within about six months of the date you filed your appeal.

Decisions are final and not subject to appeal. However, they are subject to judicial review by the Federal Court of Appeal.

### General procedure

If you do not elect to have your appeal heard under the informal procedure, it will be heard under the general procedure.

This is a more formal process that includes:

- filing a written notice of appeal;
- paying a filing fee;
- restricting representation in court to either you or your lawyer;

- awarding costs to either party (the plaintiff or the defendant).

The Federal Court of Appeal reviews appeals by either party of decisions made under this procedure.

### Federal Court of Appeal

If either you or the Minister of National Revenue want to appeal a decision the Tax Court of Canada made under the general procedure, the appeal must be filed with the Federal Court of Appeal no later than 30 days after the decision.

Either party can request that the Federal Court of Appeal review a decision the Tax Court of Canada made under the informal procedure. The Federal Court review will be restricted to questions of law and jurisdiction. An application for this type of review has to be filed no later than 30 days after the decision of the Tax Court of Canada.

### Supreme Court of Canada

You can appeal a judgement of the Federal Court of Appeal to the Supreme Court of Canada. However, you first have to get the Supreme Court's permission.

### Collection of disputed amounts

If you object to or appeal an income tax assessment, we usually postpone collection action on amounts in dispute until 90 days after we mail our decision to you. We will not postpone collection action on some disputed amounts, such as employees' income tax that you were required to withhold and remit.

You do not have to pay the tax you are disputing while you are waiting for the CRA or a court to settle your appeal. However, these taxes are still subject to the usual interest charges. Before you appeal a lower court's decision to a higher court, you have to pay the tax in dispute or post acceptable security.

If you lose your appeal to the Tax Court of Canada, we will resume collection action even if you appeal the Court's decision. However, we will accept security for payment while your appeal is outstanding.

If you object to a GST/HST assessment, collection action may be postponed. However, you may post acceptable security while we are reviewing your objection.

## Chapter 9 – At your service

You can get information and conduct other types of business by going to [www.cra.gc.ca](http://www.cra.gc.ca) or by calling 1-800-959-5525 for business enquiries.

Some publications and services are also available at Service Canada Centres. You can contact these offices for written information on income tax, customs duties and tariffs, and GST/HST programs.

## Electronic services for businesses

Electronic services help businesses by streamlining communications with the CRA and simplifying the preparation and submission of tax information. Take advantage of the growing line of secure electronic services that we offer. To ensure the privacy and security of your information, we use measures such as firewalls and one of the most secure forms of encryption available in North America. We use the same level of encryption as North-American financial institutions.

### Making online requests

You can request certain financial actions (such as a payment search, credit transfer, or interest review) to be processed on GST/HST, corporation income tax, excise tax, excise duty, and other levies accounts. The Online Requests for Business service also accepts requests for the following items:

- additional remittance vouchers
- customized statements
- copies of previously issued communication items (i.e. notices, statements)
- changes to mailing instructions (stop/restart account statements, and remittance vouchers and envelopes)

For more information or to access this convenient service, go to [www.cra.gc.ca/requests-business](http://www.cra.gc.ca/requests-business). This service is also available at [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee, or [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are the business owner.

Online Requests is **not** intended for general business enquiries. For such enquiries, call 1-800-959-5525.

### Registering your business

Business Registration Online is a one-stop registration service that allows you to apply for a BN with the CRA and register for programs administered by British Columbia, Nova Scotia, and Ontario.

You can also use this online service if you already have a BN and need to register for any of the four major program accounts (GST/HST, payroll deductions, corporation income tax, and import/export). Businesses with a physical address in Quebec that need a GST account will be automatically linked to the Revenu Québec Web site. For more information, go to [www.cra.gc.ca/bro](http://www.cra.gc.ca/bro).

### Filing returns

#### File your personal income tax return using NETFILE

NETFILE is one of our electronic tax-filing options. This transmission service allows you to file your personal income tax return directly with the CRA using the Internet. You can only transmit your own tax return to the CRA using NETFILE. Authorized representatives cannot transmit tax returns on behalf of their clients via NETFILE. When you use NETFILE, you cannot change any of your personal information such as your name, address, date of birth, or direct deposit information.



If you have registered with the My Account service, you can change your address prior to using NETFILE by going to [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount). If you are not registered, call 1-800-714-7257 to make the necessary changes to your address before using NETFILE.

### File your corporation income tax return over the Internet

You can file your corporation income tax return directly with the CRA using the Internet. You will benefit from faster processing and refunds, less paper use, and lower mailing and courier costs.

For tax years ending after 2009, all corporations with annual gross revenue of more than \$1 million will have to Internet file their T2 return. Businesses can use CRA's Corporation Internet Filing service, or file through My Business Account, or authorized representatives can file through Represent a Client without a Web access code. For tax years ending after 2010, a penalty for non-compliance will be charged if a corporation that is required to Internet file does not comply with the requirement.

Once a corporation income tax return has been prepared using CRA-certified commercial software, simply access the Corporation Internet Filing Web site, follow the easy-to-use instructions, and transmit the return. You will receive immediate confirmation that the return has been accepted for processing. If you encounter problems sending the electronic return, online messages will help you correct them.

When you register with the CRA for direct deposit by sending us Form T2-DD, *Direct Deposit Request Form for Corporations*, your refund will be in your account the same day we would have mailed your cheque. To take advantage of this service, simply complete and send us Form T2-DD, available at [www.cra.gc.ca/dd-bus](http://www.cra.gc.ca/dd-bus).

For more information, go to [www.cra.gc.ca/corporation-internet](http://www.cra.gc.ca/corporation-internet) or call the Corporation Internet Filing Help Desk at 1-800-959-2803.

### Mandatory electronic filing for GST/HST registrants

Most GST/HST registrants are required to file their GST/HST return electronically.

The filing options available to you depend on your reporting circumstances.

For more information on electronic filing GST/HST returns options, go to [www.cra.gc.ca/gsthst-filing](http://www.cra.gc.ca/gsthst-filing).

You may also be able to electronically file your return and make your payment through a participating financial institution or third-party service provider. Contact your local branch or service provider to see if they offer this service, or go to [www.cra.gc.ca/gsthst-edi](http://www.cra.gc.ca/gsthst-edi).

#### Note

Eligible corporation income tax, GST/HST, and information returns can be filed electronically by business owners through My Business Account, or by authorized representatives through Represent a Client.

## The GST/HST Registry

The GST/HST Registry is an online service that allows you to validate the GST/HST number of a business, which helps to ensure that claims submitted for ITCs only include GST/HST charged by suppliers who are registered for GST/HST.

For more information, go to [www.cra.gc.ca/gsthstregistry](http://www.cra.gc.ca/gsthstregistry).

You can validate the Quebec Sales Tax (QST) registration number by accessing the QST registry on the Revenu Québec Web site at [www.revenu.gouv.qc.ca/en/sepf/services/sgp\\_validation\\_tvq/default.aspx](http://www.revenu.gouv.qc.ca/en/sepf/services/sgp_validation_tvq/default.aspx).

## Getting help

To get technical help using My Business Account, GST/HST NETFILE, GST/HST TELEFILE, Information Returns Electronic Filing, Represent a Client, or the Payroll Deductions Online Calculator, call 1-877-322-7849 and for Teletypewriter (TTY), call 1-888-768-0951.

The following table shows their hours of service:

E-service Helpdesk hours of service	
Time zone	Monday to Friday
Pacific time	3:45 a.m. to 5:00 p.m.
Mountain time	4:45 a.m. to 6:00 p.m.
Central time	5:45 a.m. to 7:00 p.m.
Eastern time	6:45 a.m. to 8:00 p.m.
Atlantic time	7:45 a.m. to 9:00 p.m.
Newfoundland and Labrador time	8:15 a.m. to 9:30 p.m.
Outside Canada and the U.S. (Eastern time)	6:45 a.m. to 8:00 p.m.
Teletypewriter (TTY)	6:45 a.m. to 8:00 p.m.

#### Note

The e-service helpdesk is not available on weekends and statutory or civic holidays.

For help with Corporation Internet Filing, call 1-800-959-2803. For general business enquiries, call 1-800-959-5525.

For more information on the CRA's electronic services for business, go to [www.cra.gc.ca/electronicsservices](http://www.cra.gc.ca/electronicsservices).

## Bilingual service

In every office across Canada, we offer our services in both English and French. All publications and forms are also available in both official languages.

## Tax services offices

The CRA Web site, [www.cra.gc.ca](http://www.cra.gc.ca), has the answers to your questions. From information about registering a business to filing a tax return, the CRA Web site covers it all. With its specialized tools and improved search capabilities, it is a convenient self-service resource.

Still cannot find what you are looking for? For answers to your tax questions, call **1-800-959-5525**. If you still need help after speaking with a telephone agent, you can book an appointment at a TSO at a time that is convenient for you. For the addresses and fax numbers of our TSOs and tax centres, go to [www.cra.gc.ca/tso](http://www.cra.gc.ca/tso).

## Tax centres

Staff at the tax centres process income tax returns. They send assessment notices, arrange for refund cheques, and provide written explanations of tax assessments. They also process tax payments.

For a listing of the tax centres, their addresses, office hours, and fax numbers, go to [www.cra.gc.ca/tso](http://www.cra.gc.ca/tso).

## The International Tax Services Office

The CRA's International Tax Services Office (ITSO) is located in Ottawa.

Staff at ITSO process individual and corporate tax returns, respond to written taxpayer enquiries, process requests for adjustments, and provide telephone and counter enquiry services for non-residents, deemed residents, emigrants as well as newcomers to Canada (immigrants).

The office also maintains the accounts of those individuals and institutions that issue payments to non-residents of Canada.

## Advance income tax rulings and interpretations

An advance income tax ruling is a written statement to a taxpayer from the Income Tax Rulings Directorate that states how the CRA will interpret and apply Canadian income tax law to transactions the taxpayer is considering. For more information, see Information Circular IC70-6R5, *Advance Income Tax Rulings*.

## Request a Canada Pension Plan (CPP)/Employment Insurance (EI) Ruling

You can request a ruling as to the status of a worker or workers under the CPP or EI Act, using the Request a CPP/EI ruling service through My Business Account. To request a ruling for a given year you must submit your request by June 29 of the following year.

## GST/HST rulings and interpretations

You can ask for a written ruling or interpretation on how GST/HST applies to your operations or transactions. We will provide guidance, and as much certainty as possible, about how GST/HST applies and the consequences of your transactions or proposed transactions.

If you require general information about GST/HST, go to [www.cra.gc.ca/gsthst](http://www.cra.gc.ca/gsthst) or call **1-800-959-5525**.

We provide our GST/HST rulings and interpretations service from rulings centres across Canada (except in

Quebec). You can contact us at **1-800-959-8287**. For service in Quebec, contact Revenu Québec at **1-800-567-4692**.

For more information, see Guide RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*.

## Excise duty rulings and interpretations

You can ask for a written ruling or interpretation on how excise duties apply to certain goods (such as alcohol and tobacco products). For more information, please contact a Regional Excise Duty Office. For a listing of their numbers, see Excise Duty Memoranda EDM1-1-2, *Regional Excise Duty Offices*, at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms).

## Help for taxpayers with a hearing or speech disorder

Taxpayers with a hearing disability or speech disorder who have access to a **teletypewriter** (TTY) can get income tax information and help by calling our bilingual enquiry service at **1-800-665-0354**.

The service is available weekdays from 8:15 a.m. to 5:00 p.m., local time, with extended hours offered during the income tax filing season.

## Seminars, trade shows, and workshops

To help small business taxpayers understand their rights and obligations under existing and frequently changing legislation, we offer the following services:

**Seminars** – These cover a variety of topics, from general to complex matters. We give seminars on request and target them to meet the needs or interests of the audience.

**Trade shows** – These are one and two-day events sponsored by the private sector, where we present information on our services.

**Workshops** – These are one and two-day events where we present, instruct, or walk through examples of how to complete various forms and schedules.

To register for a seminar or workshop, go to [www.cra.gc.ca/events](http://www.cra.gc.ca/events) or contact the Business Enquiries section of your TSO.

## Employer visits program

If you operate a small business, you may be too busy to attend an information seminar. If so, our staff is available on request to visit you at your place of business.

This will give you a chance to ask questions about recording, withholding, or reporting employee earnings, tax, Canada Pension Plan contributions, or **Employment Insurance premiums**. We do not charge for this service. For information about this service, call **1-800-959-5525**.

## Service Canada

We work with other federal agencies and departments to serve Canadians in smaller communities by offering a variety of government services in single locations called

Service Canada centres. Visit their Web site at [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca) for the office nearest you.

## Scientific research and experimental development (SR&ED) investment tax credit

We have set up a service to address the needs of individuals and businesses that have claimed the SR&ED investment tax credit. We regularly conduct public information sessions to explain the meaning of SR&ED, describe eligible activities, explain what expenditures qualify for the credit, and describe the documentation required for a claim.

You can get information about these sessions at [www.cra.gc.ca/sred](http://www.cra.gc.ca/sred) or by calling 1-800-959-5525.

For more information on scientific research and experimental development, see Brochure RC4472, *Overview of the Scientific Research and Experimental Development (SR&ED) Tax Incentive Program*.

## Canada Business Service Centres

These centres provide businesses with access to information about the programs and services of various federal departments and agencies, including the CRA, Industry Canada, and economic development agencies such as the Atlantic Canada Opportunities Agency, Western Economic Diversification Canada, and the Federal Office of Regional Development (Quebec). Other partners include provincial and non-government agencies.

At the Canada Site, [www.canada.ca](http://www.canada.ca), you can find a list of links to the Web sites of Government of Canada departments, agencies, and Crown corporations. You can also find links to Web sites maintained by organizations for which federal departments and agencies are responsible.

## Industry Canada

To get direct access to Industry Canada's extensive expertise and information resources, visit [www.ic.gc.ca](http://www.ic.gc.ca).

## Your rights, entitlements, and obligations

The CRA operates on the fundamental belief that its taxpayers are more likely to comply with the law if they are treated fairly and have the information, advice, and other services they need to meet their obligations. These obligations may include filing required returns, paying taxes, providing information, and properly declaring imported or exported goods.

While we want to make sure you are aware of your obligations, we also want to make sure that you understand and can exercise your rights. For more information on taxpayer relief provisions and taxpayer rights, go to [www.cra.gc.ca/fairness](http://www.cra.gc.ca/fairness), or see Guide RC17, *Taxpayer Bill of Rights Guide: Understanding Your Rights as a Taxpayer*.

## What is the Voluntary Disclosures Program?

The Voluntary Disclosures Program (VDP) allows you to come forward and correct inaccurate or incomplete information or to disclose information on a voluntary basis.

You will not be penalized or prosecuted if you make a full disclosure before we start any enforcement action or investigation against you. You will only have to pay the taxes owing plus interest.

The VDP accepts information that is less than one year overdue, except when disclosures are being made to avoid late-filing charges.

For more information, see Information Circular IC00-1, *Voluntary Disclosures Program*, or call 1-800-959-5525.

## Taxpayer Relief Provisions

We can waive or cancel all or part of the interest or penalties when they result from circumstances that are beyond your control. Such circumstances could include an inability to pay or financial hardship, actions of the CRA, or extraordinary circumstances such as a serious illness, natural disasters, or a postal service strike that prevents you from meeting your tax obligation.

Provisions in the various Acts administered by the CRA help us administer the legislation fairly. These provisions apply to individuals, testamentary trusts, small business owners, employers, payers, partnerships, corporations, and organizations. All requests for relief must be submitted in writing.

For requests under the taxpayer relief provisions of the *Income Tax Act*, the Minister may grant relief for any tax year (or fiscal period in the case of a partnership) that ended within 10 years before the calendar year in which the taxpayer's request was made. For more information, see Information Circular IC07-1, *Taxpayer Relief Provisions*.

For requests under the taxpayer relief provisions of the *Excise Tax Act* and the *Softwood Lumber Products Export Charge Act, 2006*, the Minister may grant relief for any reporting period that ended within 10 years before the calendar year in which the taxpayer's request was made. Similarly for duties under the *Excise Act, 2001* and for requests made under the *Air Travellers Security Charge Act*, the Minister may grant relief for any fiscal month that ended within 10 years before the calendar year in which the taxpayer's request was made.

Taxpayers can address requests involving the taxpayer relief provisions to any CRA office. Form RC4288, *Request for Taxpayer Relief*, should be used to make a request. A copy of this form is available at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms), or by calling 1-800-959-2221.

For more information, go to [www.cra.gc.ca/fairness](http://www.cra.gc.ca/fairness).

## Our service complaint process

The CRA complaint service resolution process is a mechanism used by the Agency to resolve service related issues. You have the right to be treated fairly under clear and established rules and can expect a high level of service

each time you deal with the CRA, see Taxpayer's Bill of Rights at [www.cra.gc.ca/rights](http://www.cra.gc.ca/rights).

If you are not satisfied with the **service** that you have received, please contact the CRA employee you have been dealing with or call the telephone number that you have been given. If you are not pleased with the way your concerns are addressed, you can ask to discuss the matter with the employee's supervisor.

If the matter is not settled, you can then file a service complaint by completing Form RC193, *Service-Related Complaints*. If you are still not satisfied, you can file a complaint with the Office of the Taxpayers' Ombudsman.

For more information, go to [www.cra.gc.ca/complaints](http://www.cra.gc.ca/complaints) or see Booklet RC4420, *Information on CRA – Service Complaints*.

## Taxpayers' Ombudsman

The Minister of National Revenue announced the appointment of Canada's first Taxpayers' Ombudsman on February 21, 2008, to enhance the CRA's accountability and service to the public and to provide the people it serves with renewed assurance that they will be treated fairly, equitably, and with respect.

Canada's Taxpayers' Ombudsman is an independent and impartial officer who examines individual and systemic service-related complaints about the CRA.

The Ombudsman upholds the service-related rights outlined in the Taxpayer Bill of Rights (TBR). He makes recommendations to the Minister of National Revenue to help the CRA improve accountability and service to taxpayers.

The role of the Taxpayers' Ombudsman is to provide a final, impartial review of a service-related complaint after you have exhausted the normal complaint channels, including the CRA – Service Complaints program. If you are still not satisfied with the way your service-related complaint was handled by the CRA, you can contact the Taxpayers' Ombudsman's office at:

Taxpayers' Ombudsman  
Suite 724  
50 O'Connor Street  
Ottawa ON K1P 6L2

Telephone: 1-866-586-3839  
Outside Canada: 1-613-946-2310  
Fax: 1-866-586-3855

For more information, visit [www.oto-boc.gc.ca](http://www.oto-boc.gc.ca).

### Note

There are no costs associated with filing a complaint or for any service provided by the Taxpayers' Ombudsman.

## Summary of important dates for businesses

Sole proprietorships and partnerships	
Monthly, by the 15th	Remit the payroll deductions from your employees' remuneration, along with your part of Canada Pension Plan (CPP) contributions and Employment Insurance (EI) premiums, by the 15th of the following month.
Quarterly, by the 15th	If you are self-employed, make your <b>instalment</b> payments of tax and CPP contributions by these dates: 1st instalment: March 15th; 2nd instalment: June 15th; 3rd instalment: September 15th; and 4th instalment: December 15th.
Last day of February	File your T4 and T4A slips along with the related Summary form. Distribute the slips to your employees.
March 31	Partnerships (except those made up of corporations, or a combination of individuals, corporations, or trusts with different filing dates) that are required, must file a partnership information return.
April 30	File your T1 personal income tax and benefit return for the previous year. <b>Pay</b> any tax amounts owing. Self-employed individuals and their spouses or common-law partners have until June 15 to <b>file</b> their returns.
June 15	Self-employed individuals (and their spouses or common-law partners) must file their T1 personal income tax and benefit returns. However, you have to pay any balance owing <b>by April 30</b> , to avoid interest charges.
December 31	For <b>farmers and fishers</b> , calculate and pay the amount of your current-year instalment payment.

Corporations	
Monthly, by the 15th	Remit the payroll deductions from your employees' remuneration to us, along with your part of Canada Pension Plan (CPP) contributions and Employment Insurance (EI) premiums, by the 15th of the following month.
Monthly or Quarterly	Corporations have to pay instalments of their current-year taxes, by the last day of each month or each quarter.
Last day of February	File your T4 and T4A slips along with the related Summary form. Distribute the slips to your employees.
Two months from your tax year-end	The balance of the corporation tax payable is due.
Three months from your tax year-end	For Canadian controlled private corporations claiming the small business deduction, the balance of the corporation tax payable is due.
Six months from your tax year-end	Corporations must file a T2, <i>Corporation Income Tax Return</i> no later than six months after the corporation's year-end.

### Note

It is important that you file any required returns and remit payments on time. Penalties apply if you do not, and interest is charged on unpaid taxes and penalties.

For more information on important dates, go to [www.cra.gc.ca/importantdates](http://www.cra.gc.ca/importantdates).

## Frequently used Web sites for small businesses

Topic	Web site
Aboriginal peoples	<a href="http://www.cra.gc.ca/aboriginalpeoples">www.cra.gc.ca/aboriginalpeoples</a>
AgriInvest Program	<a href="http://www.agr.gc.ca/agriinvest">www.agr.gc.ca/agriinvest</a>
AgriStability Program	<a href="http://www.agr.gc.ca/agristability">www.agr.gc.ca/agristability</a>
Business – Home page	<a href="http://www.cra.gc.ca/business">www.cra.gc.ca/business</a>
Business number (BN) registration	<a href="http://www.cra.gc.ca/bn">www.cra.gc.ca/bn</a>
Conducting business on the Internet (E-commerce)	<a href="http://www.cra.gc.ca/ecommerce">www.cra.gc.ca/ecommerce</a>
Contact us	<a href="http://www.cra.gc.ca/contact">www.cra.gc.ca/contact</a>
Contract payment reporting	<a href="http://www.cra.gc.ca/contract">www.cra.gc.ca/contract</a>
Corporate income tax	<a href="http://www.cra.gc.ca/t2return">www.cra.gc.ca/t2return</a>
Corporation Internet filing	<a href="http://www.cra.gc.ca/corporation-internet">www.cra.gc.ca/corporation-internet</a>
Direct deposit – Business	<a href="http://www.cra.gc.ca/dd-bus">www.cra.gc.ca/dd-bus</a>
Electronic payments	<a href="http://www.cra.gc.ca/electronicpayments">www.cra.gc.ca/electronicpayments</a>
Electronic mailing lists	<a href="http://www.cra.gc.ca/lists">www.cra.gc.ca/lists</a>
Electronic services	<a href="http://www.cra.gc.ca/electronic-services">www.cra.gc.ca/electronic-services</a>
Events and Seminars	<a href="http://www.cra.gc.ca/events">www.cra.gc.ca/events</a>
Excise and GST/HST News	<a href="http://www.cra.gc.ca/formspubs/typ/gsthstnws-eng.html">www.cra.gc.ca/formspubs/typ/gsthstnws-eng.html</a>
Fairness and taxpayer bill of rights – Overview	<a href="http://www.cra.gc.ca/fairness">www.cra.gc.ca/fairness</a>
FAQs available on the CRA Web site	<a href="http://www.cra.gc.ca/faqs">www.cra.gc.ca/faqs</a>
Filing Information Returns Electronically	<a href="http://www.cra.gc.ca/iref">www.cra.gc.ca/iref</a>
Filing on electronic media	<a href="http://www.cra.gc.ca/electronicmedia">www.cra.gc.ca/electronicmedia</a>
Forms and publications	<a href="http://www.cra.gc.ca/forms">www.cra.gc.ca/forms</a>
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Payroll Deductions Online Calculator (PDOC)	<a href="http://www.cra.gc.ca/pdoc">www.cra.gc.ca/pdoc</a>
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Security options – Taxable benefit	<a href="http://www.cra.gc.ca/stockoptions">www.cra.gc.ca/stockoptions</a>
Small businesses	<a href="http://www.cra.gc.ca/smallbusiness">www.cra.gc.ca/smallbusiness</a>
T4 information returns (How to file)	<a href="http://www.cra.gc.ca/slips">www.cra.gc.ca/slips</a>
Taxpayers' Ombudsman	<a href="http://www.taxpayersrights.gc.ca">www.taxpayersrights.gc.ca</a>
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What's new	<a href="http://www.cra.gc.ca/whatsnew">www.cra.gc.ca/whatsnew</a>

## Related Forms and Publications

### Guides

- RC17, *Taxpayer Bill of Rights Guide: Understanding Your Rights as a Taxpayer*
- RC4015, *Reconciliation of Business Income for Tax Purposes*
- RC4022, *General Information for GST/HST Registrants*
- RC4027, *Doing Business in Canada – GST/HST Information for Non-Residents*
- RC4082, *GST/HST Information for Charities*
- RC4110, *Employee or Self-Employed?*
- RC4120, *Employers' Guide – Filing the T4 Slip and Summary*
- RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*
- RC4409, *Keeping Records*
- T4001, *Employers' Guide – Payroll Deductions and Remittances*
- T4002, *Business and Professional Income*
- T4003, *Farming Income*
- T4004, *Fishing Income*
- T4008, *Payroll Deductions Supplementary Tables*
- T4012, *T2 Corporation – Income Tax Guide*
- T4032, *Payroll Deductions Tables*
- T4036, *Rental Income*
- T4037, *Capital Gains*
- T4068, *Guide for the T5013 Partnership Information Return – 2006*
- T4068-1, *2010 Supplement to the 2006 T4068 – Guide for the T5013 Partnership Information Return*
- T4127-JAN, *Payroll Deductions Formulas for Computer Programs*
- T7B-CORP, *Corporation Instalment Guide*

### Pamphlets, Brochures and Slips

- P110, *Paying Your Income Tax by Instalments*
- P148, *Resolving Your Dispute: Objections and Appeal Rights Under the Income Tax Act*
- RC2, *The Business Number and Your Canada Revenue Agency Program Accounts*
- RC4058, *Quick Method of Accounting for GST/HST*
- RC4059, *My Account for individuals*
- RC4247, *The Special Quick Method of Accounting for Public Service Bodies*
- RC4405, *GST/HST Rulings – Experts in GST/HST Legislation*
- RC4420, *Information on CRA – Service Complaints*

- RC4472, *Overview of the Scientific Research and Experimental Development (SR&ED) Tax Incentive Program*
- T4 slip, *Statement of Remuneration Paid*
- T4A slip, *Statement of Pension, Retirement, Annuity and Other Income*

### Forms

- B253, *Softwood Lumber Products Export Charge – Registration Form*
- B275, *Softwood Lumber Products Export Charge Return*
- CPT100, *Appeal of a Ruling under the Canada Pension Plan and/or Employment Insurance Act*
- CPT101, *Appeal of an Assessment under the Canada Pension Plan and/or Employment Insurance Act*
- E413, *Notice of Objection (Excise Tax Act)*
- E676, *Notice of Objection (Air Travellers Security Charge Act)*
- E680, *Notice of Objection (Excise Act, 2001)*
- GST44, *Election Concerning the Acquisition of a Business or Part of a Business*
- GST159, *Notice of Objection (GST/HST)*
- GST469, *Direct Deposit Request (Non-Personalized)*
- RC1, *Request for a Business Number (BN)*
- RC45, *Notice of Objection (Softwood Lumber Products Export Charge Act, 2006)*
- RC59, *Business Consent Form*
- RC193, *Service-Related Complaints*
- RC257, *Request for an Information Return Program Account (RZ)*
- RC4288, *Request for Taxpayer Relief*
- T137, *Request for Destruction of Records*
- T400A, *Objection – Income Tax Act*
- T1013, *Authorizing or Cancelling a Representative*
- T1139, *Reconciliation of Business Income for Tax Purposes*
- T1163, *Statement A – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals*
- T1164, *Statement B – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations*
- T1273, *Statement A – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals*
- T1274, *Statement B – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations*

- T2042, *Statement of Farming Activities*
- T2121, *Statement of Fishing Activities*
- T2125, *Statement of Business or Professional Activities*
- TD1, *Personal Tax Credits Return*
- T2, *Corporation Income Tax Return*
- T2-DD, *Direct Deposit Request Form for Corporations*

## **Interpretation Bulletins**

- IT-99R5-CONSOLID, *Legal and Accounting Fees*
- IT-154R, *Special Reserves*
- IT-200, *Surface Rentals and Farming Operations*
- IT-273R2, *Government Assistance – General Comments*
- IT-291R3, *Transfer of Property to a Corporation Under Subsection 85(1)*
- IT-364, *Commencement of Business Operations*
- IT-413R, *Election by Members of a Partnership Under Subsection 97(2)*
- IT-417R2, *Prepaid Expenses and Deferred Charges*
- IT-442R, *Bad debts and Reserves for Doubtful Debts*
- IT-459, *Adventure or Concern in the Nature of Trade*
- IT-473R, *Inventory Valuation*
- IT-518R, *Food, Beverages, and Entertainment Expenses*

## **Information Circulars**

- IC00-1, *Voluntary Disclosures Program*
- IC07-1, *Taxpayer Relief Provisions*
- IC70-6R5, *Advance Income Tax Rulings*
- IC76-19R3, *Transfer of Property to a Corporation Under Section 85*
- IC78-10R5, *Books and Records Retention/Destruction*
- IC89-2R2, *Directors' Liability – Section 227.1 of the Income Tax Act and Section 323 of the Excise Tax Act*

## **Excise Duty Memoranda**

- EDM1-1-1, *The Excise Duty Program*
- EDM1-1-2, *Regional Excise Duty Offices*
- EDM2-1-1, *Licence Types*
- EDM2-3-1, *Registration Types*

## **Excise Tax and Special Levies Memoranda**

- X2-1, *Licences*
- X2-2, *Small Manufacturers*
- X2-3, *Bonds Given as Security by Licensed Wholesalers*

## **Excise Taxes and Special Levies Notices**

- ETSL53, *Phase Out of the Excise Tax on Jewellery Products*



## For more information

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### My Business Account

My Business Account is a secure and convenient way to access and manage your business accounts online.

You can:

- view your account balance and transactions
- request additional remittance vouchers
- file your return and view its status
- calculate your instalment payments
- view notices, letters, and statements
- view address and banking information
- transfer payments and immediately view an updated balance

**Quick. Easy. Secure.** For more information, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount).

### Represent a Client

Authorized representatives are able to view account information and transact online on behalf of the business owners through the Represent a Client service. Business owners can authorize their representatives (including employees) through My Business Account for immediate access, or with the Form RC59, *Business Consent Form*. For more information, go to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives).

### Electronic payments

Make your payment online using the CRA's My Payment service at [www.cra.gc.ca/mypayment](http://www.cra.gc.ca/mypayment) or using your financial institution's telephone/Internet banking services. For more information, go to [www.cra.gc.ca/electronicpayments](http://www.cra.gc.ca/electronicpayments) or contact your financial institution.

### Tax Information Phone Service (TIPS)

For personal and general tax information by telephone, use our automated service, TIPS, by calling 1-800-267-6999.

### Teletypewriter (TTY) users

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