



By **FOREST LI**

BOOKKEEPING SENSE

Dave Carmon (name changed for privacy) registered a house-maintenance business in 2005. With good personal skills and hard work, the business took off well. After a year he needed to hire a guy. And yet another guy.

The business provided him a steady flow of good income, and the future looked bright. He purchased a boat, vacationed at resorts, and dined out frequently. Life was good.

At the same time his mailbox started to jam with letters from Canada Revenue Agency (CRA). First came white letters. Then blue. Then pink. He ignored them all.

The good life did not last long. One day in 2009 – four years after he started the business – he received frantic calls from his workers and suppliers: the cheques he wrote to them had bounced back. The bank told him that his account had been garnished and frozen by the CRA and that he needed an accountant to help him sort things out.

As a business owner, he needed to file his income-tax return every year. As a GST registrant, he needed to file GST return for the business at least once a year. As an employer, he needed to deduct CPP (Canada Pension Plan), EI (Employment Insurance) and income taxes from the pay cheques he made to his employees, match up the CPP and EI, and remit the monies to the CRA.

PENALTIES

Since he had not made any filings, CRA had estimated the amounts owing and frozen his bank account. Not only was he made to settle his delinquencies; he was also made to pay the penalties for late filing and interest for late payment.

Dave's unfortunate fate was due to a lack of sound bookkeeping, which is crucial to the long-term success of a business. Liabilities ought to be dealt with timely. We regret seeing businesses that otherwise would have been very successful run into trouble due to a lack of proper bookkeeping. ■

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