



By **FOREST LI**

LET'S DO BUSINESS

Registering a new business in Canada – even for newcomers – is a straightforward process, and it can be done entirely online on www.serviceontario.ca. The registration fee is also affordable.

A business may be registered as a sole proprietorship, partnership or corporation. Each business structure has its own attributes. For instance, sole proprietorships and partnerships are cheap in accounting fees and allow business owners to meet tax-filing and administrative requirements of the government with ease.

A corporation, meanwhile, provides more flexibility in business management, profit sharing and income-tax strategy. A corporation also has the important function of protecting a business owner's personal assets under certain circumstances, such as, when the business, for example, runs into some legal complications.

The government requires a business to file income tax every year. Business owners use a form called Statement of Business Activities. For sole proprietorships and partnerships, income or loss is reported on the owner's personal tax return.

For a corporation, tax filing is entirely different, since it needs to file its own income-tax return to report its income, pay its own income tax, and distribute the net retained earnings to its owners (shareholders) in the form of dividends.

Shareholders can serve as directors or employees to the corporation and get paid in the form of director fees, salaries and bonuses. Corporation has its own incomes and expenses, which should be book-kept regularly.

EXPENSES

The most common business expenses include inventory cost, business insurance, registration and license fees, legal and accounting fees, vehicle and travel cost, rent of business space and equipment, advertising and marketing, telephone and communication, office equipment and supplies.

The government is fairly flexible on the spending items that may go into the income-tax return. The general rule is to claim anything that is business-related and exclude expenditures of personal nature. Keeping all supporting documentation (such as receipts and bills) is important for at least six years after the filing of the tax return. ■

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