

Published by Bellzinc.ca

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Entrepreneurs: Keep Good Business Records...You Could Save Taxes!

The thought of keeping current and exact business records can be daunting. Most entrepreneurs are adept at thinking up creative ideas and summoning the will and energy to implement those ideas and strategies. They see themselves as "action" people and hate the thought of having to itemize and record numbers.

But convince these forward-thinkers that good record keeping has the potential to save their business money - perhaps their company could pay less tax - and suddenly the idea becomes more appealing. And truly, there are so many good computer programmes available today, that assigning a staff person, or even keeping records yourself - need not be an onerous task.

Reasons to put your/your staff's time toward keeping accurate records include:

- You can identify where your income comes from and by extension, indicate if some sources are non-business and non-taxable.
- You readily identify items such as input credits (for GST/HST) and deductible expenses. Otherwise, you might forget such items at reporting time.
- It's very difficult to plan tax strategies if you don't have an accurate picture of what is actually happening in your business. And trying to implement tax strategies after the fact may be too late.
- If the tax department questions or audits your GST/HST or tax returns, you can substantiate your claims. Otherwise, your claims could be disallowed. It could also be very time-consuming to try to create a set of books based on your memory of what happened some time ago.

It's also important to remember that you can't just ditch those records whenever the mood (a major cleanup of your hard disk or file cabinet) strikes your fancy.

Generally, you must retain your books and records for six years:

- from the end of the last taxation year to which they relate for income tax.
- after the goods are imported or exported.
- from the end of the year to which they relate for GST/HST purposes.

What this means in actuality is that you must keep the records from the last year you used the records, which could differ from the year you actually did the transaction. That's because losses/gains/depreciation etc. are not always confined to the year of the initial transaction. Also, if you have an objection, appeal etc. check with the appropriate officials about timing re: destruction of records.

If you filed late, keep the records for six years from the date you filed the return.

One other point: even if you receive permission for early destruction of records that relate to your federal taxes, you still cannot simply destroy your records. That's because there could be other levels of government that may require you to produce those records, if needed.

Best still...check with your professional advisor in regard to what is required for keeping records for your business, as well as the length of time those records must be kept intact.