

CANADIAN SMALL BUSINESS TAX CHECKLIST

We want business owners to get every tax credit and deduction they're entitled to.

The two business structures H&R Block Canada services are:

- **Sole-proprietorships**
If you are a sole proprietor you do not need to file a separate tax return for your business income, you report your business income on your personal tax return (T1).
- **Small corporations**
If you run your business through a corporation, you have to file a separate return (T2) for your business income because your corporation is a separate legal entity under the Canadian Income Tax law.

What you need when filing:

Sole proprietor:

- All your T-slips for the year
- Information of any other income
- Business income and expenses compilation for the year to be filed – if bookkeeping is completed
- Invoices and receipt, payroll information and GST/HST returns – if bookkeeping is completed
- Latest Notice of Assessment
- Last year's return

Corporation:

- All T-slips the corporation received
- GST/HST return(s) for the tax year
- Financial statements and trial balance – if already prepared
- Invoices and receipts, payroll information, bank statements – if bookkeeping services are provided
- Last year's return
- Copy of incorporation papers
- Latest Notice of Assessment
- Accounts receivable at end of fiscal year
- Amounts payable at end of fiscal year
- Employee deductions payable at end of fiscal year
- Copy of minute book/director's resolutions
- Fixed Asset Continuity Schedule
- Loan statements at end of fiscal year

Business Income

- Gross receipts from sales or services
- Sales records
- Returns and allowances
- Business chequing/savings account interest
- Other income
- Accounts receivable at end of fiscal year (cash basis) including any COVID-19 benefit your business received (CEWS, CEBA, other)

Inventory

- Beginning inventory total dollar amount
- Inventory purchases
- Ending inventory total dollar amount

Inventory

- Items removed for personal purposes
- Materials and supplies

Expenses

- Advertising
- Business insurance – for business assets, liability
- Vehicle expenses – fuel, insurance, lease/bill of sale, payments with interest, repairs, maintenance, parking, car washes
- Mileage log or kilometers driven for business purposes
- Payroll data for employees; PD7A; statement of account for current source deductions
- Other employee expenses
- Professional fees – lawyers, accountants, and consultants
- Office supplies
- Interest expense – business loans, investments expenses and interest
- Travel
- Rent/Property tax
- Utilities
- Accounts payable at end of fiscal year (cash basis)
- Meals and entertainment: receipts should have a list of who attended and the purpose of the meeting/event

Home Office Expenses

If you work out of your home, you may be able to deduct a portion of your home offices expenses. The tax rules differ, depending on whether you file as a sole proprietor or for a corporation. These expenses include:

- Mortgage interest (not principal) or rent
- Property tax payments
- Utilities
- Home insurance payments
- Home maintenance and repair costs
- Cable/Internet

Capital Assets

Capital assets cannot be expensed in the year acquired but must be depreciated over the period of ownership. A separate record should therefore be kept of the purchase and sale of capital assets. Typical examples would include:

- Vehicles used for business
- Machinery and equipment
- Tools
- Buildings

