

## New Years Resolutions To Improve Your Business

Tax time for individuals is almost upon us and there is little someone can do now except RRSPs to reduce their taxes payable for last year. If you are a sole proprietor or partnership your company's year end was December 31<sup>st</sup> and everything is done except for the accounting and settling up with the tax man. But now is a great time to plan for 2004. Here are 9 ways that you can make and keep more of your money in 2004.

1. **Plan and Budget.** What will your sales be this year? What will be the expenses and more important; how much money will you make? It has been shown that if you fail to plan you plan to fail. So before January ends make a plan and measure yourself every month against your plan.
2. **Vehicle expenses.** Keep a log of business trips and deduct a portion of your car expenses. Include all trips including trips to buy office supplies. Eligible expenses include interest on loans, fuel, repairs and maintenance. So start a system to track all these costs. If you need a new car soon buy it before the end of 2004 to get a deduction this year.
3. **Hire a spouse or child.** Income splitting (and tax savings) can be achieved by hiring a family member to do some work for you. For example, your child could be hired to do filing. They would likely pay no tax while you get the deduction. This is one of the most often ignored tax savings opportunities. But you can't do it retroactively so start now to save in 2004.
4. **Consider incorporating.** If you leave money in your business it may be beneficial to incorporate. Corporations pay less tax than individuals. The opportunity also exists to defer tax by declaring year end bonuses. If you wait until the end of the year you may pay more tax than you need to.
5. **Private Health Insurance.** Many business people are now able to deduct the cost of health insurance. The rules are complicated so consult a professional tax advisor. Some plans even allow you to deduct expenses not covered by the plan such as laser eye surgery or orthodontics.
6. **Register for GST.** Some small businesses think they shouldn't register because they don't have to. But they should. If your expenses exceeded income you could get a GST refund. By using the "Quick Method" you may be able to increase revenue 2-3% by special rules that require only 4 or 5% of collected GST to be remitted. Do it now to save taxes.
7. **Don't invest in your business.** When people start a new business venture they often need to invest capital in the business. Some businesses require cash injections for many years and owners take their personal funds and either invest in the company or loan funds to the company. But at the same time they have personal debt that is non-deductible or they let their personal debt grow. It is far better to borrow specifically for the business using separate loans or lines of credit. By doing this, the interest on these loans becomes fully deductible.
8. **Business Travel and Conventions.** There are limits but if a convention that relates to your business is being held consider staying a few days longer as vacation. By combining activities the business can deduct high transportation costs and you get a few days rest and relaxation.
9. **Work with a Professional.** The tax rules are complex and change every year. Working with a professional can ensure that you get all the deductions you deserve.

By careful planning, record keeping and professional assistance you can reduce your taxes and maximize your income.

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