











Fortunately, there is a *de minimis* rule that applies, meaning the total of all advantages received are considered to have a “nominal value.” Under the rules, this means the total advantage is not more than \$75 or 10 per cent of the fair market value (FMV) of the gift, whichever is less. In such a case, the charity is absolved from having to subtract these advantages when issuing receipts, according to the CRA.

Keep in mind, Blumberg says, that, if the advantage a donor receives is **more than 80 per cent** of the value of their donation, they are not eligible for a receipt.

“It’s a very organized system and there is particular information a charity needs to work it all out,” he says.

### 3. Treat non-cash gifts appropriately

In the case of donated property or non-cash gifts, such as those sold during an auction, a receipt can be provided to the donor of the item equal to its FMV. The winning bidder can also be issued a receipt, equal to the amount paid for the item less the FMV of the item, subject to the advantage rule.

The FMV, Swartz says, can be tricky to determine for certain items, such as artwork, which would need to be appraised by a qualified individual to determine the most accurate FMV. Other items, such as a TV for example, are easier to value by simply sourcing the retail cost.

As mentioned, the advantage rule applies to an auction as well. Consequently, a donation receipt for an auctioned item is only issuable to the bidder if the winning bid amount paid exceeds **80 per cent** of the value of that item, adds CPA Michael Espinoza, senior manager, national tax office, Grant Thornton LLP.

“You can think of it as a minimum threshold to determine whether the bidder actually intended on making a donation,” he says.

Lastly, donated services – including time, skills or efforts contributed free of charge to help organize a fundraising event, for example – do not qualify for receipts, as they’re not considered “property” **by the CRA’s gifts of services policy**. However, if an individual provides a service, the service is paid for by the charity and then that same individual returns the payment as a gift, a receipt can be issued since two distinct transactions have taken place.

### 4. Bottom line, follow the rules

Whether receipts are issued for a virtual or in-person event you are organizing – be it a dinner, golf tournament or auction – remember that only the charity (not you, as the organizer) can issue them, Espinoza reminds us.

“Ensuring accurate receipting of gifts is always important for charities as inaccurate or fraudulent receipting could result in revocation of charitable status,” he says.

While this article provides an overview of the rules to be followed, make sure you cover all your bases by using the **CRA’s website for reference**.

“Whatever you do, do it within the tax rules available, ask the right questions and stay aligned with the examples on the CRA site,” says Swartz.

### Go with a pro

This article includes a general summary of detailed tax rules. Need specific tax advice? Hire a Chartered Professional Accountant (CPA) and get the best working for you.

# Self-employed? Talk to a CPA long before filing your taxes



## Don't wait until tax time to begin readying information.

Tax time can be tricky for almost anyone, but this can be especially true for those who work for themselves. Turning to a CPA when filing – or better yet, in the months before – can help reduce the inevitable headache and possibly the amount of money owed in late fees or missed deductions through several well-prepared steps.

### 1. Streamlining the approach

CPA Bob Gore, founder of Robert Gore & Associates Chartered Professional Accountants, says a common

error is the “ready, aim, fire” approach that some people take with their business. “The most significant problem,” he says, “is what I would call organization and structure, where people jump right out of the gate and assume they need to [organize their business](#) in a particular way.”

To start, Gore recommends connecting with a CPA who can direct you to the required forms for self-employed business income, such as the [T2125, Statement of Business or Professional Activities](#). In turn, the owner will need to provide their CPA with a better understanding of their actual business. Doing so allows their accountant to better advise them on tracking expenses, whether to register for a GST or HST account – as well as assist with your registration, if possible, and more.

### 2. Setting aside money for tax payment

For those moving from being a salaried employee to self-employed, saving for quarterly tax payments can be overlooked (after being accustomed to having automatic EI and CPP deductions).

After the first year, “If you owe more than \$3,000 in income tax, the CRA wants you to make quarterly [instalments](#),” says FCPA Colleen Gibb, co-founder of accounting firm Gibb-Widdis, noting this can create a cash-flow challenge.

When collecting GST/HST from clients, Gore reminds that this money must be set aside since it has to [be paid to the CRA](#).

Accountants, she says, can help prepare a budget and ensure enough is set aside to avoid cash-flow challenges. “I find most people can cope very well if they know what they’re going to owe.”

It is important that your tax return is filed on time and tax payments are not late to ensure [interest and penalties](#) do not arise.

### 3. Getting a GST or HST account

When you’re self-employed, you may not need a [business number](#) – at least not to start. If you do need a business number, you’ll need to determine if you need to register for programs such as GST or HST. Across Canada, a [GST or HST number](#) is only required once a business makes \$30,000 annually. Below that threshold, registration is not compulsory.

However, Gore says that missing the opportunity to register is a common error because “the HST they’re paying on their expenses is just a cost rather than a potentially recoverable item,” such as through [input tax credits](#), he says. To avoid this, an accountant can review a self-employed person’s business and advise on the need to obtain a business number and register for GST/HST, as well as how to set that up.

#### **4. Tracking expenditures**

Remembering to record expenses in real time can be tricky for many people.

“The biggest key is making sure that you can account for all the transactions on your bank statement or credit card and have all the invoices,” says FCPA Bruce Ball, vice-president of taxation at CPA Canada.

Acquiring this habit will simplify tax preparation and alleviate the painstaking attempt to recover each business purchase made throughout the year.

Keeping business expenses separate from personal finances is another step to streamline records.

“Use a separate bank account for the business and designate one charge card for it,” says Gibb. “If you are audited, the CRA will only look at that bank account and those credit card statements.”

#### **5. Understanding claimable expenses**

While creating a system to track expenses is important, understanding which expenses can be claimed is also key for businesses.

Here, a CPA can help convert pre-existing life expenses – such as [home office](#) and vehicle expenses – to business expenses to maximize the claimable amount. Gore says this can be recorded in a basic Excel spreadsheet or through software such as Quicken Home and Business, depending on the individual’s comfort level.

“The critical thing is to get yourself organized and be aware that you need to keep track of it all for purposes of being able to claim costs for business rather than personal spending,” he says.

Of all claimable costs, entertainment fees have the most restrictions. “Only 50 per cent of those expenses are deductible,” says Gibb.

She advises that people write down who they dined with on the back of the receipt and file that away, as the CRA will not accept a credit card statement for this claim.

#### **Benefits exceed the costs**

While some people may be hesitant to ask for guidance long before tax season, the benefits cannot be overlooked.

“Even spending an hour talking to a CPA will pay dividends,” says Gibb. “Now you’ll know what to expect, what to set aside when the things are due and what to watch for.”



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