

# Entrepreneurial Growth & High Performance Workshop

Langley, BC, Canada  
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# Accountant's Perspective: Accounting & Tax

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# Overview

- Cash flow
- Corporate structures
- Managing CRA
- Timely financing
- Quality record-keeping

# Laser focus on cash flow

- “I’m profitable, but I have no cash!”
- Growth is hard on cash flow
  - Staff, equipment, inventory and other working capital
  - Delays from service/sale > invoice > collect cash (perhaps 30-60 days)
- Planning for large annual costs
- Work with A-level customers

# Alternative structures to minimize tax

- Family trusts can effectively allocate income to minimize overall taxes
- Most effective with kids aged 18-25
  - What kind of costs can be paid through a trust?
- Can shift income from top tax bracket (47.7%)
- Other beneficiaries: spouse, parents, holding company

## Example

**A corporation pays up to \$7,625 less tax than an individual would pay for every \$10,000 transferred (net of tax)**

\$19,120	Employment income
(9,120)	Tax payable (47.7%)
<b>\$10,000</b>	<b>Net funds available to transfer</b>

\$11,495	Corporation income
(1,495)	Tax payable (13%)
<b>\$10,000</b>	<b>Net funds available to transfer</b>

# Holding company

- Investing with corporate dollars
- Two options for \$100,000 profit:
  - Pay tax at 47.7% and invest \$52,300 personally
  - Pay tax at 13% and invest \$87,000 corporately
- Secondary (or primary!) retirement savings
- Preserve the ability to use Capital Gains exemption

# Stay in the good books with CRA

- CRA often audits as a means to ensure compliance
- Even if you cannot *pay* the tax (e.g., GST) always *file* on time
  - CRA interest and penalties are not deductible
- Directors are personally liable for GST and payroll remittances
- Consider separate savings account for tax payments



# Get credit while the going is good

- Always more difficult to get a line of credit when finances are tight
- Consider a seasonal business like a flower shop
  - Very busy in summer, much slower in winter but rent and staff still need to be paid -> Solution: Line of Credit
  - Smooths out peaks and valleys in your cash flow
- If business doesn't have enough history consider HELOC
- Match loan term to asset

# A competent bookkeeper is an investment

- It's a skill best not left to unskilled family member or staff
- Allows you to be free to focus on *running* your business
- Services: banking, invoicing, pay bills, payroll, GST/PST
- Provide you with timely financial statements (rather than just at year-end)
  - Allow time for error detection and course corrections
- Decreased accounting compliance cost – allows your accountant to focus on business advice

The information presented includes simplified versions of often complex tax arrangements. Certain factors, including US citizenship, could reduce the benefits or increase the cost of implementing and maintaining certain structures. Each situation is different. If you would like to discuss your tax situation or structure with us, please let us know.