

**THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS**

**THE NEW BUSINESS KIT**

*The ESSENTIAL GUIDE To The  
Financial, Tax and Accounting  
Considerations  
OF  
STARTING YOUR NEW BUSINESS*

Courtesy of

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Address Above! Details in Appendix F*

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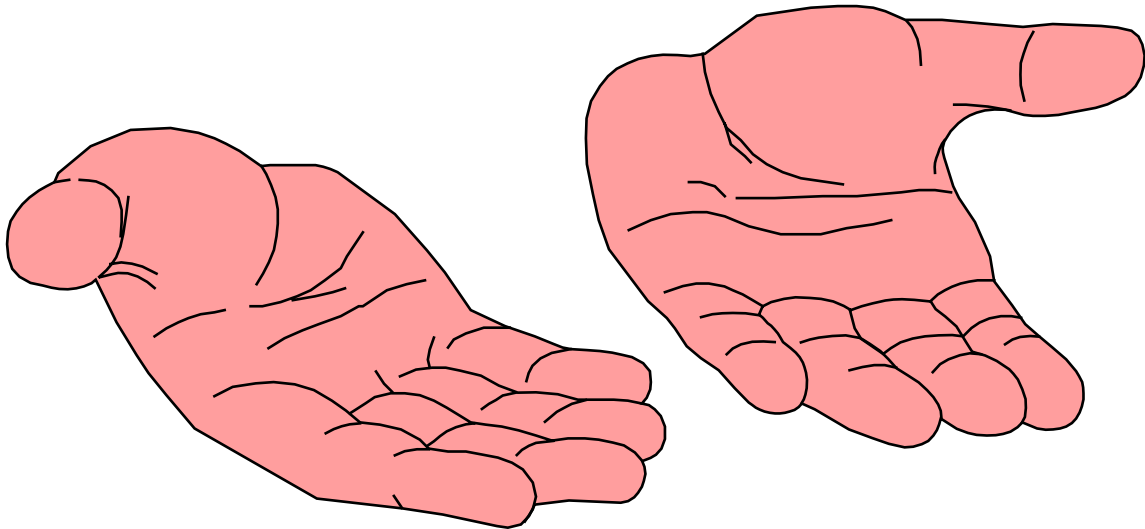
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**Disclaimer**

At the time of publication of this document it was believed by the preparer that all of the information contained herein was accurate. However, since a number of the areas covered by this document are subject to ongoing legislative changes, the document is intended only to be a guide and not a substitute for professional advice. Accordingly, it is advised that users of the document seek professional advice on all accounting, tax and legal matters before initiating any actions contemplated in the guide.



## ***THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS***

### **INTRODUCTION**

Getting a business off the ground can be a difficult undertaking. The year 2000 has brought a new attitude about living and working. More than ever, people are leaving the traditional workforce to pursue their dream of starting and owning a business.

However, starting and managing a small business takes more than just a dream. It requires research, discipline, organization, motivation, commitment and, most of all, planning. With this handy reference guide, you should be able to successfully prepare yourself for many of the issues encountered in starting and running a business.

In order to assist you we are providing **free** to those who return the business card attached to this kit an **Excel** template designed to assist in the completion of a business plan developed by Adarus Software. See the coupons inside the back cover.



## **CHAPTER ONE**

### **THE BUSINESS PLAN**

#### **What is a Business Plan?**

Success in a business comes as a result of planning. A successful business plan is a document that conveys the exciting prospects and growth potential of a company. It might be best viewed as a selling document. It sells the business to potential financial and other backers. A business plan is also a very important management tool. It enables management to plan company growth and to anticipate changes in a structured way.

Writing and compiling a winning business plan takes study, research and time. Since the plan contains your ideas for your business, it is very important that **you** do the planning. The best business plans for even the smallest of businesses can run twenty-five to thirty pages or more. The suggested outline on the following page is a logical organization of the information every business plan should contain and should serve as a guide for the development of your own plan.



## **Business Plan Outline**

### ➤ **Introduction**

- Give a detailed description of the business and its goals;
- Determine the ownership of the business and the legal structure;
- List the skills and experience you bring to the business.

### ➤ **Develop a Marketing Plan for your business**

- See page 4 for more details

### ➤ **Develop a Financial Management plan for the business**

- See page 5 for more details

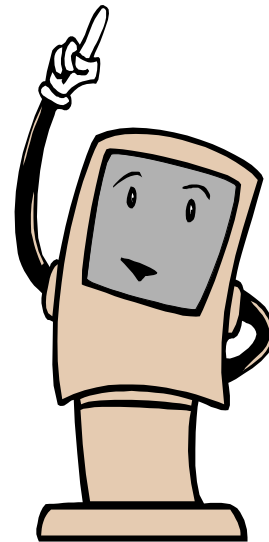
### ➤ **Develop an Operations Plan for your business**

- See page 6 for more details

### ➤ **Concluding Statement**

Once you have completed the preceding detailed sections of the business plan you will need to summarize your business goals and objectives and express your commitment to the success of your business.

Once you have completed the business plan, review it with others. Seek out the advice of other people. Talk with, listen to, and observe others who are operating similar businesses. Enlist the advice of your accountant. At the bottom line, however, don't ever forget that this must be **your business plan!** Statistics show the greatest causes of business failures are poor management and lack of operational planning. Don't let it happen to you!



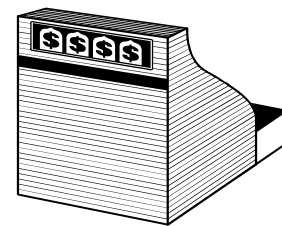
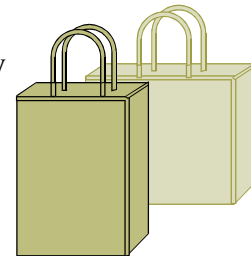


## THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS

### Marketing Plan

#### ➤ Marketing Plan Objectives

- Determine and define the product/service to be offered
- Determine the purpose of your business and its primary product/service
- Identify the customer demand for your product/service
- Identify your market, its size and location
- Identify your competitors
- Determine how your product/service will be advertised and marketed
- Determine the pricing strategy
- Define your business with a positioning statement



Any marketing strategy rises and sets on your customers. In order to develop a successful marketing plan you will need to set all of your preconceived notions about your business aside and focus objectively on your customers. Despite all of your dreams and past experiences it is delivering what the customer wants and needs that will determine the success of your business.

Often there is a radical difference between what your customer wants and what you think he wants. Your ability to discover and define the wants and needs of your customer will ultimately determine the success or failure of your business.

To assist you in the development of a marketing plan that focuses on the customer we have included a marketing questionnaire and a competitive checklist in **Appendix A**.

## **Financial Management Plan**

### ➤ **Financial Management Plan Objectives**

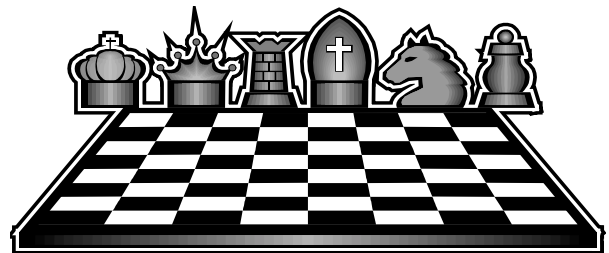
- Determine your source and amount of initial equity capital required
- Develop a monthly operating budget for the first year
- Develop an expected return on investment(ROI) and an expected monthly cash flow for the first year
- Provide projected income statements and balance sheets for a three-year period
- Determine your break-even point
- Prepare a personal financial statement
- Determine who will maintain your accounting records and how they will be kept (i.e. manual or computerized)
- Provide “what if” scenarios that address alternative approaches to any problem that you can foresee

You may have started in business with a focus in a particular area of business such as marketing, sales, R&D, or operations. As an owner or manager you need at least a general understanding of all aspects of business, especially appropriating, managing and making efficient uses of cash. The basis for your business may be a very sound in concept. However, funding new growth, maintaining existing growth or simply maintaining existing operations can pose many challenges. Different types of capital requirements need different funding vehicles, all with different rules and steps similar in many ways to the *game of chess*.

Developing a financial management plan for your business requires careful research, planning and logistics. Identifying your capital needs and seeking the right source of financing for filling those needs can be confusing and complicated. Even with pre-planning and diligent effort, the financial management game can sometimes change in midstream, as economic climates and markets shift causing the viability of various funding vehicles to change over the course of time.

A growing business can often require more capital than is readily available from existing cash flow. However, raising further capital can often introduce additional risk to the business. Therefore it is essential that available cash be managed effectively. This will give you more control over your business by delaying the need for new financing

**Appendix B** includes a number of tools that will enable you to achieve the objectives of your financial management plan.



## **THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS**

### **Operations Plan**

#### **➤ Operations Plan Objectives**

- Explain how the business will be managed on a day-to-day basis
- Determine hiring and personnel procedures



- Determine the insurance, lease or rent agreement issues pertinent to your business
- Account for the equipment necessary to produce your products or services



- Account for production and delivery of products and services

- Prepare a disaster recovery plan



*The most important aspect in the development of a competent operational plan is the development and implementation of systems. Included in **Appendix C** are examples of tools to assist in the development of your operational plan.*

## **CHAPTER TWO**

### **LEGAL STUFF**

One of the first major decisions you will have to make as you start your new business is the form of legal entity it will take. To a large degree this decision may be dictated by the way you have organized your operations and whether you intend to work on your own or with others.

The form of entity you choose can have a significant impact on the way you are protected under the law and the way you are affected by income tax rules and regulations. There are three basic forms of business organizations. They are:

- Sole Proprietorship
- Partnership
- Corporation



You will need to register a Partnership or Corporation. To do so you may obtain a registration package from:

The Registrar of Companies  
2nd Floor, 940 Blanshard Street  
Victoria, B.C. V8W 3E6  
(604) 387-7848 Victoria  
(604) 775-1041 Vancouver

### **Sole Proprietorship**

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A sole proprietorship is typically a business owned and operated by one individual. A sole proprietorship is not considered to be a legal entity under the law, but rather is an extension of the individual who owns it. The owner has possession of the business assets and is directly responsible for the debts and other liabilities incurred by the business. The income or loss of a sole proprietorship is combined with the other earnings of an individual for income tax purposes.

A sole proprietorship is perhaps the easiest form of business to own and operate because it does not require any specific legal organization, except of course, the normal requirements such as licenses or permits. A sole proprietorship typically does not have any rules or operating regulations under which it must function. The business decisions are solely the result of the owner's discretion.

If you operate as a sole proprietorship, then you are considered self-employed for income tax purposes. The income tax return for self-employed individuals includes their business income determined on a calendar year basis. Self-employed individuals are required to file their tax returns by the 15th of June of the following year; however, any taxes owing are due April 30th.

Installments, if required, are due quarterly on the 15th of March, June, September and December. It is important to make the required installments on time as deficient or late payments are subject to interest charges and possibly penalties. As these charges are non-deductible for tax purposes, the effective interest rate can be quite high.

There are also numerous other tax filing deadlines which should be discussed with your Chartered Accountant.

**Advantages**

- Easiest to get started
- Greatest freedom of action
- Maximum authority
- Income tax advantages at startup

**Disadvantages**

- Unlimited liability
- Death or illness endanger business
- Growth limited to personal energies
- Personal affairs easily mixed with business

## **Partnerships**

Partnerships can take two legal forms, general or limited. In a general partnership, two or more individuals join together to run the business enterprise. A partnership should register its name before it begins to operate under the partnership name. Each of the individual partners has ownership of company assets and responsibility for liabilities, as well as authority in running the business. The authority of the partners, and the way in which profits or losses are to be shared, can be modified by the partnership agreement. The responsibility for liabilities can also be modified by agreement among the partners, however, partnership creditors typically have recourse to the personal assets of each of the partners for settlement of partnership debts.

A limited partnership is comprised of one or more general partners who are personally liable for partnership debts and one or more limited partners who contribute capital and share in the profits or losses of the business. The limited partners do not take a part in running the business and are not liable for the debts of the partnership.

The rights, responsibilities and obligations of both the limited and general partners are typically detailed in a partnership agreement. It is a good idea to have such an agreement for any partnership, whether limited or general.

A partnership is a legal entity recognized under the law and as such it has rights and responsibilities in and of itself. A partnership can sign contracts, obtain trade credit and borrow money. When a partnership is small, most creditors require a personal guarantee of the general partners in order to obtain credit.

Partnerships are generally required to follow the same guidelines as corporations, except for Corporate Income Tax and B.C. Capital Tax filings. Although, the partnership is required to prepare financial statements for both federal and provincial tax purposes, a partnership does not pay income tax. Instead, each partner reports his or her share of the partnership's profit or loss on their individual tax return. Partnerships with six or more partners are required to file an Information Return (T5013) by the March 31st following the fiscal year end of the partnership.

### **Advantages**

- Two heads better than one
- Additional sources of venture capital
- Easier to finance than a proprietorship of similar size
- Year end does not have to coincide with calendar year

### **Disadvantages**

- Death, withdrawal, or bankruptcy of one partner endangers business
- Hazy lines of authority
- Difficult to get rid of bad partner

## **Corporations**

A Corporation is a separate legal entity that exists under the authority granted by law. A Corporation has substantially all of the legal rights of an individual (i.e. is responsible for its own debts). It must also file income tax returns and pay taxes on income it derives from its operations. Unlike a proprietorship or partnership, the owners or shareholders of a corporation are protected from the liabilities of the business. When a corporation is small or just starting up, creditors often require personal guarantees of the principal shareholders before extending credit. Aside from this however, the legal protection afforded the owners of a corporation can far outweigh the additional expense of starting and administering a corporation.

A Corporation must obtain permission from the Minister of Finance to use or do business under a corporate name. A Corporation must also adopt and file articles of incorporation and by-laws, which govern its rights and obligations to its shareholders, directors and officers.

Corporations must file annual income tax returns with Canada Customs and Revenue Agency Taxation and possibly provincial tax returns depending upon the circumstances. The elections made in a corporation's initial tax returns can have a significant impact on how the business is taxed in the future.

Incorporating a business allows a number of other advantages such as the ease of bringing in additional capital through the sale of equity, or allowing an individual to sell or transfer their interest in the business. It also provides for business continuity when the original owners choose to retire or sell their interest.

Should you decide to incorporate your business venture, you should seek the advice of competent legal counsel and a Chartered Accountant.

### **Advantages /Disadvantages**

- Limited liability for shareholders/  
Gives owner a false sense of security (while true for big business, may not be for small business )
- Creates more tax planning flexibility/  
Increases complexity in Compliance with the Income Tax Regulations
- Continuity is easier/  
Power limited by Charter
- Transfer of shares /  
Less freedom of activity
- Easier to raise capital /  
Legal formalities
- Possible to separate business functions /  
Expensive and complex to separate business functions into different entities
- Corporate year end does not have to coincide with calendar year

**CHAPTER THREE**

**REGISTERING WITH THE TAX AUTHORITIES**



A significant task for the new business owner is assuring that the business is properly complying with the extensive tax and information filing requirements imposed by various governmental agencies. Stiff penalties are commonly assessed if the required forms and returns are not properly prepared and filed on a timely basis.

There are several required forms to be filed when the business is started. While this chapter is not intended to be an all-inclusive list of the filing requirements, it summarizes some of the more prominent requirements common to most businesses. Many industries have specific filing requirements which are not part of this text but which must not be overlooked. Professionals with experience in your industry should be consulted to ensure that any such filings are properly handled.

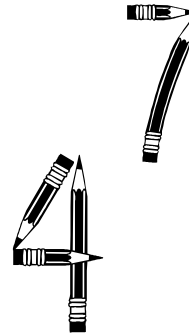




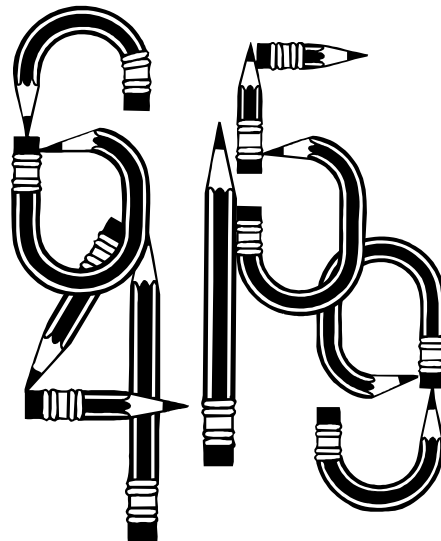
## **Business Number**

All tax forms filed with Canada Customs and Revenue Agency Taxation require the use of a *Business Number*. Each business is assigned a unique nine-digit registration number that is used for all four of the following Canada Customs and Revenue Agency accounts:

1. Corporate Taxation
2. Payroll Taxes
3. Goods and Services Tax
4. Import/Export



It is important to register promptly in order to avoid substantial confusion as well as penalties and interest for late filings. To register for a business number form RC1 E – Request For Business Number must be completed and filed with Canada Customs and Revenue Agency. A copy of the Business Registration Form has been included in **Appendix E.** Additional copies of this form may be obtained from the Canada Customs and Revenue Agency website at [www.ccradrc.gc.ca](http://www.ccradrc.gc.ca).



## **INCOME TAXES**

Eventually you will have to deal with income taxes. The income tax laws are extensive and can be confusing for an individual starting a business. The following discussion does not cover all the tax ramifications of a new business; however, it provides some guidance on complying with the laws. A qualified Chartered Accountant should be consulted when you are dealing with income taxes. Income taxes have a direct result and a potentially significant impact on the cash flow of your business.

Proper tax planning is essential in order to make the most of the income tax laws. You will probably need to develop a relationship with a qualified professional who has experience with the taxation of your type of business.

By consulting your Chartered Accountant and with proper planning in the early stages of your new business, significant deferrals of the payment of income taxes can be achieved. This can provide desperately needed working capital to help ensure the success of the business

Tax planning is not a one-time shot right before the return is due. Tax planning is a year-round endeavor requiring communication between you and your CA. Proper planning ensures that there are no surprises when the return is filed.

If you are doing business in more than one province, it is essential that you familiarize yourself with the tax laws and filing requirements of those provinces as provincial tax returns may be required.

Income tax laws are quite complicated. The amount you may save by attempting to tackle your own taxes, particularly as they relate to a business, can be greatly overshadowed by the expense you may incur if you make a mistake. This axiom takes on greater significance when the return is for a corporation. However, a far greater consideration than potential mistakes is missing opportunities that may be available to you and your business.



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### **Income Tax Forms**

Each type of legal entity is required to file a different type of income tax form.

**Corporation.** A corporation is considered a taxable entity and is required to file a T2 Corporate Income Tax Return. Financial statements are required for this purpose.

**Partnership.** As previously discussed, a partnership is not a taxable entity. It is treated as a conduit through which taxable income is passed to the partners for inclusion in their respective tax returns. The partnership is required to prepare financial statements for this purpose. Partnerships with 6 or more partners are required to file an information return (form T5013), on or before the March 31<sup>st</sup> following the partnership's fiscal year end.

**Proprietorship.** As previously discussed, an unincorporated entity is considered to be a component of the individual's personal tax situation and therefore is taxed on the individual's Form T1 - Personal Income Tax Return. Financial statements are required for this purpose. Proprietorships with 6 or more partners are required to file an information return (form T5013), on or before the March 31st following the proprietorship's fiscal year end.

### **First Corporate Return**

The first tax return a corporation files is very important. As part of that return, elections are made which will dictate the way the corporation is taxed for many years to come.

Some of the more significant elections that may need consideration are outlined below:

1. The selection of a method to cost inventories using the most appropriate method for your business.
2. The treatment of reporting gains on investments.
3. The selection of a year-end.

The elections discussed above are only a few of those that may need to be considered in an initial return. A qualified tax practitioner can help plan how best to utilize elections to take advantage of some of the following provisions of the federal and provincial tax laws including:

- a. Operating loss carryovers
- b. Research and development tax credits
- c. Business tax credits

### **Tax Calendar**

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<i>Date</i>	<i>CCRA</i>	<i>Tax Calendar</i>
<b>January 15</b>	<b>Fourth quarter source deduction remittance date (for qualifying small business)</b>	
<b>February 28</b>	<b>T4, T5 filing deadline</b>	
<b>March 1</b>	<b>RRSP contribution deadline</b>	
<b>March 15</b>	<b>First tax installment date for self-employed individuals</b>	
<b>March 31</b>	<b>Partnership information return deadline, if applicable Contact payment reporting information return deadline</b>	
<b>June 15</b>	<b>Self-employed filing deadline (Personal Tax Return) Second tax installment date for self employed individuals Second quarter source deduction date (for qualifying small businesses)</b>	
<b>September 15</b>	<b>Third tax installment date for self employed individuals</b>	
<b>October 15</b>	<b>Third quarter source deduction remittance date (for qualifying small businesses)</b>	
<b>December 15</b>	<b>Fourth tax installment date for self employed individuals</b>	

**Corporate Income Tax:**

- monthly installments due by the end of each month
- remittance deadline for balance due is three months after corporate year end for Canadian controlled Private Corporations eligible for the Small Business Deduction; two months for all other corporations
- tax return due six months after the corporate year end

**B.C Corporate Capital Tax**

- applies when capital of the corporation is greater than \$1.5 million
- tax return due 184 days after year end
- quarterly installments may be required
- balance of any tax (in addition to installments) due when filing return

**PAYROLL TAXES**

## ***THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS***

Irrespective of the form of business in which you operate, if you are going to have employees then you will have to contend with payroll deductions and remittances. The brief summary that follows will give you some guidance in the rules and regulations of the various taxing authorities.

- employers must withhold income tax, Canada Pension Plan (C.P.P.) & Employment Insurance (E.I.) premiums from wages each pay period and remit these withholdings along with the employers' share of C.P.P. and E.I.
- the remittance date depends on size of entity – for instance, average monthly remittance less than \$15,000 is due on the 15<sup>th</sup> of the following month
- Every company is required to prepare a T4 Supplementary form for each employee which summarizes his or her remuneration (wages and benefits) received during a particular calendar year. Your employees must receive a copy of their T4 Supplementary by the end of February of the following year. In addition, a copy of each T4 Supplementary and a copy of the T4 Summary must be received by Canada Customs and Revenue Agency by the end of February of the following year (i.e. the year 2000 T4 Supplementaries and Summaries should be received by CCRA by February 28, 2001).

### **Available Publications**

The publications "Employers' Guide to Payroll Deductions" and "Payroll Deductions for Small Business Employers", which cover the payroll reporting and remittance requirements, can be obtained through CCRA's website ([www.cra.adrc.gc.ca](http://www.cra.adrc.gc.ca)) or from CCRA's local office. The office is located at:

1166 West Pender Street Vancouver, B.C. V6E 3H2 Phone # (604) 666-4664 or Fax # (604) 691-4446.
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Commissions, directors' fees, overtime pay, benefits (such as auto allowances) and other remuneration amounts are also generally subject to payroll deductions.

Canada Customs and Revenue Agency will access penalties and interest charges on insufficient and delinquent payroll deductions and remittances. These penalty and interest charges are normally not deductible for income tax purposes. Therefore, these charges can represent an additional and unnecessary drain to the entity's working capital. Your Chartered Accountant can discuss your business' payroll requirements with you in detail.

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### **Employed or Self-Employed?**



Income earned from employment and income earned from self-employment are treated differently for tax purposes. Revenue Canada has strict regulations to determine whether an individual is an employee or is self-employed. The regulations are broken down into four tests:

Control	An employee-employer relationship exists if the payer controls the time, place and manner in which the work is performed.
Ownership of Tools	An employee-employer relationship exists if the payer supplies the equipment and tools required by a worker.
Chance of Profit/Risk of Loss	An employee-employer relationship exists if the payer bears the risk of financial risk and the worker receives full compensation regardless of the health of the business.
Integration	An employee-employer relationship exists if the worker has integrated his or her business into the payer's business and is dependent on it.

An individual is not considered to be self-employed if he or she meets any of the above tests. Each employment situation is unique and should be analyzed based on the facts of the specific situation.

If your employment fits the parameters of a self-employed business, then:

1. your payer is not required to withhold source deductions on your behalf,
2. you are no longer entitled to employment insurance benefits should you be laid off and
3. you will have to remit the employee and employer portion of Canada Pension Plan Contributions.

Your Chartered Accountant can help you establish whether you are an employee or a self-employed individual.

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### **GOODS AND SERVICE TAX**

If you sell goods and/or services, then you are required to collect Goods and Services Tax (GST) from your customers. You are required to become a GST registrant if your gross worldwide revenues exceed \$30,000 in a taxation year.

You can claim an Input Tax Credit (ITC) to recover the GST that your business paid on purchases. On the business' GST Return, the ITC amount is deducted from the GST collected amount to arrive at the balance of GST due or refund claimed. Depending on your gross revenues, you will be required to file a GST Return monthly, quarterly or annually. More information regarding GST can be obtained from CCRA's website ([www.ccra.adrc.gc.ca](http://www.ccra.adrc.gc.ca)) or from our office.

### **SOCIAL SERVICE TAX**

If your business sells or manufactures goods, you may need to register and receive a provincial tax number. Some services are also subject to Social Service Tax (SST). Please note that this tax was previously named Provincial Sales Tax (PST). It is normally due the 15<sup>th</sup> of each month, but you may be eligible for a SST exemption. For more information or to register, contact the Ministry of Finance of British Columbia's *Consumer Taxation Branch* at:

800 Robson Street, Vancouver, B.C. V6B 5J3  
(604) 660-4524

The Consumer Taxation Branch's bulletins and publications are also on the internet at: [www.fin.gov.bc.ca/revenue/ctax/ctax.htm](http://www.fin.gov.bc.ca/revenue/ctax/ctax.htm).

### **WORKER'S COMPENSATION BOARD**

Most corporations are required to pay workers compensation premiums. In B.C., sole proprietorships are not required to register but may do so voluntarily. Rates are based on a percentage of wages paid and the industry rate class of the business. The reporting period is either quarterly (based on calendar year) or annually, depending upon the size of the payroll. For quarterly filers, filings are due on April 20th, July 20th and October 20th. For the final quarter of the year and for annual filers, the due date is February 20th of the following year. For more information or to register contact the Worker's Compensation Board at:

6951 Westminster Highway, Richmond, B.C.  
(604) 244-6181  
1-800-661-2112 Toll Free in B.C.

The Worker's Compensation Board of B.C. web site is located at [www.worksafebc.com/](http://www.worksafebc.com/).

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**BUSINESS LICENSE**

To operate a business you should obtain a business license. Applications can typically be obtained at the city hall where your business is located. At the time of filing the application, a fee must be paid. Typically this fee is in the range of \$100. The license is usually issued immediately and must be posted in plain sight at your place of business. The license, with the related fee, must be renewed annually. The telephone numbers for local departments in the Lower Mainland are:

Abbotsford:	853-1155	New Westminster:	527-4565
Burnaby:	294-7320	North Vancouver:	983-7356
Coquitlam:	664-1570	Port Moody:	469-4536
Port Coquitlam:	944-5411	Pitt Meadows:	465-5454
Chilliwack:	792-9311	Richmond:	278-5575
Delta, Ladner &		Surrey, Whiterock:	591-4274
Tsawwassen:	946-3314	Vancouver:	873-7568
Langley:	533-6040	West Vancouver:	922-1211
Maple Ridge:	467-7306		



## **CHAPTER FOUR**

### **ACCOUNTING AND BOOKKEEPING**

Most operators of a new and growing business have a flair for the environment in which the business operates. They may be a great salesperson, an outstanding mechanic, carpenter, lawyer, or inventor. Unfortunately, most people don't enjoy bookkeeping.

As an owner of a business, you must remember that your company's books and financial statements represent a score sheet which tells you how the business is progressing. They also serve as an early warning system that lets you know when and why the business may be going amiss. Financial statements and the underlying records will provide the basis for many decisions made by outsiders, such as banks, lessors, potential investors, and trade creditors as well as taxing authorities and other governing bodies. The necessity for good, well-organized financial records cannot be over-emphasized. One of the greatest mistakes made by owners of small businesses is not keeping good financial records and making improper or poor business decisions based on inadequate information.



#### **Providing Meaningful Information**

Quality financial information does not necessarily translate into complicated bookkeeping or accounting systems. Far too often owners of businesses become overwhelmed by their accounting system. An accounting or bookkeeping system is like any tool used in your business; *it needs to be sophisticated enough to provide the information you need to run your business and simple enough for you to understand and administer.* The following questions should be addressed when developing an accounting and financial reporting system:

- Who will be the users of the financial information?
- What questions do I need answered to manage the business?
- What information will the government or regulatory taxing authorities require from me?

As your business grows, you should work closely with your Chartered Accountant to ensure that your accounting system is providing you with appropriate information.

#### **Chart of Accounts**

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The basic *road map* into any accounting system is the chart of accounts. It is this chart which helps establish the information which will be captured by your accounting system and what information will subsequently be readily retrievable by the system. This tool, like the rest of the accounting systems, needs to be dynamic and should grow as the size and needs of your business changes.

To help establish a good working chart of accounts you need to answer some questions, in conjunction with your Chartered Accountant, as to how your business will operate and what is important to you.

### **Sample of Chart of Accounts**

1000.....	Bank
1200.....	Accounts Receivable
1500.....	Capital Assets
2000.....	Accounts Payable
2100.....	Credit Cards
2200.....	GST Payable
4000.....	Income
5000.....	Expense

#### Chart of Account Considerations:

1. Will your business have inventory? If so, will it be purchased in final form or will there be production costs?
2. Are fixed assets a significant portion of your business?
3. Will you sell only one product or service or will there be several types?
4. Will you have accounts receivable from customers for which you will have to track?
5. Are you going to sell in only one location or will you do business in several locations?
6. Are the products you sell subject to sales tax?
7. Do you need to track costs by department?
8. To what type of government controls or regulatory reporting are you subject?

Each one of these questions can have several answers and may well generate more questions. Each answer will have an impact on how the chart of accounts is structured. It may seem that developing a chart of accounts should not rate particularly high on your list of things to do as you start a new business. The amount of time and money, which a well-organized accounting system will save you, can be significant as the need to generate information for various purposes increases. An example of a basic chart of accounts is included in **Appendix C**.

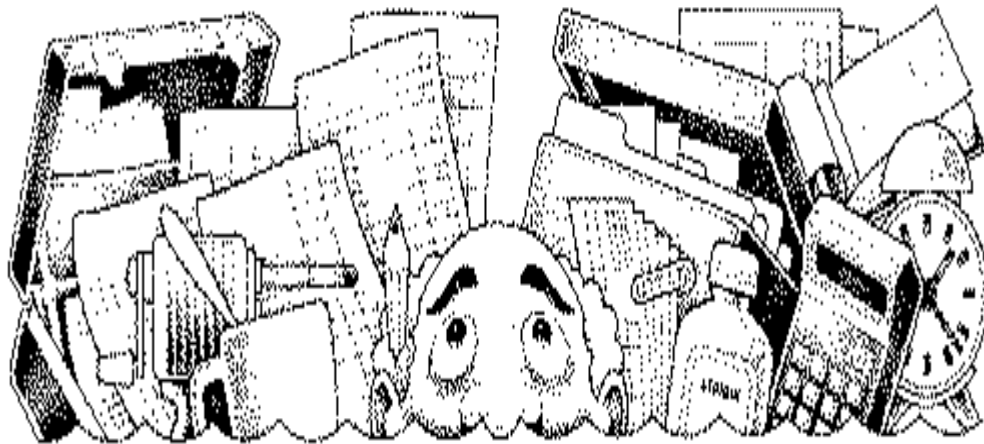
### **Cash or Accrual Accounting**

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One of the decisions to be made as you start a business is whether to keep your records on a cash or accrual basis of accounting. The cash basis of accounting has the advantage of simplicity and almost everyone understands it. Under the cash basis of accounting you record sales when you receive the money and account for expenses when you pay the bills. The increase in the money at the end of the month is how much you have made.

Unfortunately, as we all know, the business world is not always so easy. Sales are made to customers and you sometimes must extend credit and your business will incur liabilities, which are due even though you may not have received the invoice or have the cash available to pay them. Accrual accounting reflects accounts receivable and accounts payable among other things.

External users of financial statements such as bankers, investors and Canada Customs and Revenue Agency use accrual basis statements and expect to see them. Once you become familiar with them, they provide a much better measuring device for your business operations than cash basis statements.



## **Accounting Records and Bookkeeping**

Another question that the owner of a business must answer is; who will keep the books of the business? Will you do it yourself, will the receptionist or a secretary double as a part-time bookkeeper, will you have a bookkeeper that comes in periodically, or will the volume of activity be such that a full-time bookkeeper will be required?



Very often the owners of a business decide to keep the books themselves and underestimate the commitment they have made to other phases of the operation and the time that is required to maintain a good set of financial records. As a consequence, the record keeping is often a low priority and must be caught up later. This approach, though rarely planned, can require a substantial expenditure of time and money. While it is important for the owners of a business to maintain control and stay involved in the financial operations of the enterprise, this can be achieved by maintaining close control over the cheque signing function and scrutinizing certain records and reports. Your company's Chartered Accountant can help develop a good program of record keeping duties for you, your employees and any outside bookkeepers or accountants you may engage.

The basic set of manual records for a business include:

1. Cash disbursements journal
2. Cash receipts journal
3. General ledger
4. Journal entry book
5. Monthly trial balance

Your Chartered Accountant can help you set up these records and tailor them to your specific needs.

## **SELECTING A YEAR-END**

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For tax purposes, a new corporation may select its first fiscal year-end within 53 weeks of starting. Proprietorships and partnerships must report on a calendar year basis (i.e. December 31).

### **Which Month to Choose?**

The selection of a corporate year-end involves several considerations. The most important factor is the ease by which data is accumulated. A second consideration involves the nature and seasonal fluctuations of the business. As a general rule, the year-end causes a disruption to the normal course of business, especially if a physical inventory count is required. It is usually better to have this disruption occur during the off-season. Also, since the periods just before and just after year-end often involve an additional time commitment by the key officers, a year-end that does not conflict with normal vacation schedules is preferable. For this reason, a calendar year-end is often avoided.

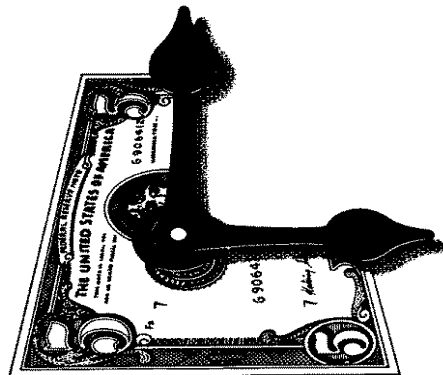
There are also tax reasons to select a year-end other than December 31. For instance, say a company has a July 31 year-end and it pays bonuses to its shareholders in January of the following year. These bonuses are deductible for tax purposes in the July 31 year-end as long as they are paid within 180 days after year-end (before January 31). The payment of withholding taxes on the bonuses are also deferred for several months. In addition, the bonus is recognized personally in the following calendar year as it is received in January. In this manner, a permanent tax saving is achieved if your personal marginal rate is lower the following year.

Proper planning in selecting a year-end can also defer the payment of taxes at the corporate level. Suppose the company incorporated in July and operated at break-even through the

next April, but expected May and June to be big income months. By selecting a March or April year-end, the company can delay the payment of taxes on the May and June income for up to 15 months. Since cash is often scarce for a start-up company, this deferral can be of significant benefit.

### **How to Make the Election**

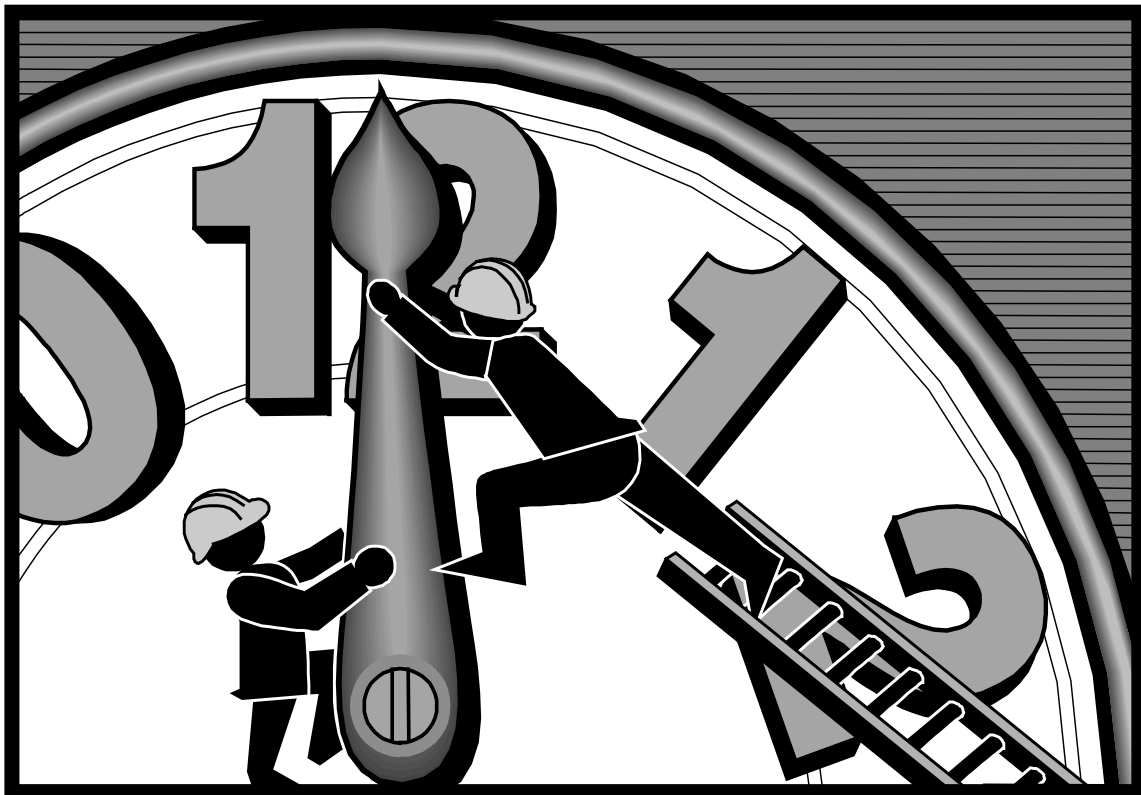
The election of a year-end is made on the first tax return of the corporation. There is not a separate form for making the election. The corporation merely states the fiscal year on page one of Form T2 - Corporate Income Tax Return.



## **Changing The Year-End**

Once a corporate year-end is selected, it may be changed only with the prior approval of the Canada Customs and Revenue Agency. Permission is obtained from Canada Customs and Revenue Agency via a written request for change of year-end; a "valid" business reason must be given for requesting the change.

Certain events will trigger a possible change of year-end. For example, if the corporation's ownership changes there may be deemed year-end for tax purposes. This may provide tax planning opportunities so prospective tax planning is essential.



## **A WORD ABOUT COMPUTERS**

The computer is probably the single most valuable invention for bookkeeping and accounting since the advent of double entry bookkeeping.

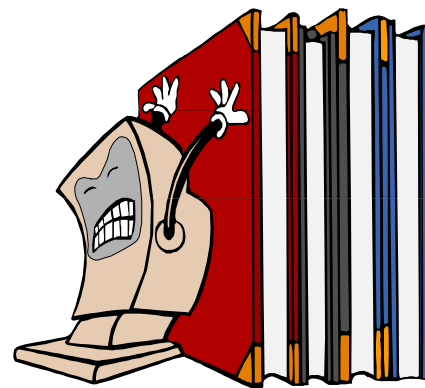
Your Chartered Accountant knows both your business and computer software so he can take much of the confusion out of the selection process by assisting you in the purchase and installation of your computerized accounting system.

There are a number of very good, easy to use accounting software systems that are commercially available, but *none of them will solve the problems of inaccurate or poor quality financial records*. All they will do is generate bad information faster. This is one of the reasons that the computer has also probably caused more headaches for the owners of modern businesses than any other single cause. If you want to use a computer based accounting package, either in your own business, with a service bureau or through your accountant, it is imperative that accurate information be entered into the system.

The real value of the computer becomes apparent once it is running smoothly in your business. Your Chartered Accountant can then function in the capacity for which he was trained, not as a "number cruncher", but as your business advisor, consultant, and strategist. Both of you can focus not on producing reports for various regulatory agencies but on analyzing your business to make it more profitable.

If your business includes any of the following, then a computer would be a useful tool in your business.

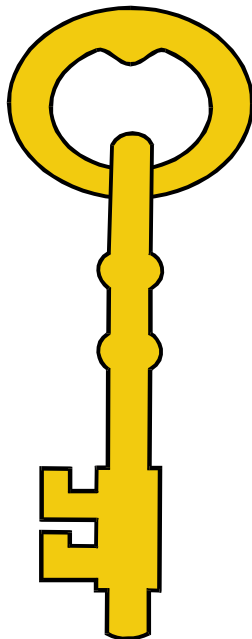
1. Many repetitious or routine tasks;
2. A substantial amount of paperwork (i.e., payroll cheques, invoices, purchase orders, mailing labels);
3. A substantial amount of general correspondence;
4. Written reports, contracts, newsletters, catalogues or brochures.



## **INTERNAL CONTROL**

Internal control is the system of cheques and balances within a business enterprise which helps to ensure that the company's assets are properly safeguarded and that the financial information produced by the company is accurate and reliable. *No matter what the size of your enterprise*, you should consider controlling your business and safeguarding hard-earned assets a priority from the outset.

When you're operating as a "one man shop" or at least handling all of the company's financial transactions, maintaining good internal accounting control is relatively straightforward. However, when your business grows to the size where you must delegate some of the functions to your employees, your ability to ensure that all transactions have been properly accounted for becomes more difficult.



*Regardless of the size of your business, you should always be able to answer "yes" to the following questions:*

- 1. When my business provides goods or services to our customers, am I sure that the sale is recorded and the revenue is recorded in accounts receivable or that the cash is collected?*
- 2. When cash is expended by my business, am I sure the goods or services purchased were actual received?*

There are several different internal control methods that can be employed to ensure that these two questions can be answered affirmatively. The particular method used in your business is dependent on your business' unique circumstances. These internal control methods are the essential stepping-stones to maintaining good control in your business.

The internal control solution for your business may be as simple as numbering the sales tickets and being sure **ALL TICKETS ARE ACCOUNTED FOR** or reviewing all invoices and timecards before signing company cheques. These are fundamentals in a well-run business. As the company grows, so will your internal controls. In the anticipation of growth you will need to consider concepts such as segregation of duties, employee fidelity bonds or controlled access storerooms.



**CHAPTER FIVE**

**CASH PLANNING AND FORECASTING**

**CASH IS KING!** The lifeblood of any business is its ability to collect cash and to pay bills and its employees, particularly its owners. Far too often, small businesses are profitable, but they do not have enough operating capital to meet their current needs. Consequently, they may be forced to sell out to a stronger competitor, sell a portion of the company to investors at an undesirable price or close the doors and put the company out of business. None of these alternatives are typically what the owner intended when starting the business.

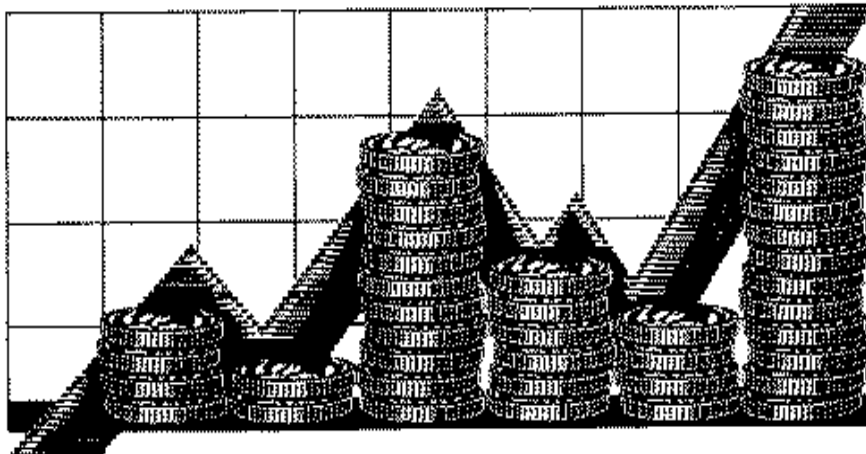


The ability to forecast cash resources and uses is an art and is by no means a well-defined science. None of us have a crystal ball and any cash forecast that is prepared by the management of a company or an outside consultant can be no more than a guess as to when the customers will pay and when your business will pay its obligations. Hopefully, the more effort that is put into cash forecasting, the better will be the educated guess and the more accurate the picture of your businesses future operations.

## **Starting the Analysis**

One of the most significant factors to be considered in your cash flow forecast is the volume of sales expected to be generated in the next several months and for the rest of the forecast period. Your sales forecast must be as fine-tuned as possible. It is typically unrealistic to assume that there is a million-dollar market for your product in your area and that you will be able to capture a specified percent of it. A sales forecast needs to be based upon specific facts. These might include your sales history or the history of similar businesses you have owned or operated, or the history of the competition. In your industry, what has been the experience of similar operations?

Some items to consider include the expected ramifications of various business decisions such as, adding new product lines, deleting unprofitable operations, adding a new salesperson, or terminating one that is not producing to quota. In preparing a forecast, you must also take into consideration items such as the seasonality of your business, the relative state of the economy and the period over which you will forecast.



Obviously, your ability to forecast sales for the next month is better than it is for three to five years from now. The amount of detail that must be included in the cash forecast is really a matter of preference. It can be based on per-unit sales extended out by the sales price of each type of unit or an average sales volume per day, week, or month of your type of business in its current environment.

## **Cash Collections**

Once you have determined a reasonable level of sales and you are comfortable with the forecast you have made, you must address questions such as: what percentage of my sales are received in cash and what portion are credit sales for which I will have to carry accounts receivable? For those that are receivable based, how soon is the cash collected? Do I have to wait for customers to pay me or do third parties such as Visa or Mastercard take the customers account and convert it to cash for me with an appropriate discount?

If you are relying on customer payments for cash for operations, you must determine what portion of the receivables will be collected in thirty days, sixty days, ninety days and thereafter, and what portion, if any, may never be collected. To assume that 100% of your sales will ultimately be converted to cash is probably unrealistic, especially considering the current economic environment and the tight cash situations that may face some of your customers.

Other sources of cash may be available in addition to sales. Do you expect to bring in a partner or other investors or can you borrow money from a bank? When will you receive the cash and how much will you get? Your cash flow analysis may determine how much investment money or borrowings, if any will be required to operate your business.

Once you are comfortable with the cash receipt side of your business, and the timing of the collections of funds from your sales and other sources, it is necessary to consider the expenses and other cash needs of your business operation.



## **Disbursements**

If your business entails sales of inventory, you will have to purchase the merchandise from others or purchase the component parts and pay employees to assemble it. This may require a significant outlay of cash before the first dollar of sales is received. You must also consider how often and how much your employees will be paid and when their payroll deductions must be remitted.

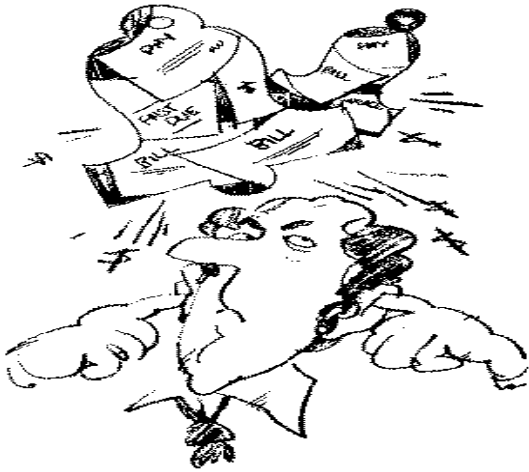
Additionally, you need to know the trade credit terms your vendors are willing to advance to you. Do you have to pay for inventory items on a C.O.D. basis or can you pay for them thirty or forty-five days after receipt? What expenses must be paid to allow you to convert purchased merchandise to marketable inventory? If your production requires utilities to run machines, or supplies that must be purchased prior to the sale of the inventory, you should factor in the amount and timing of payment.

In addition to the cost of manufacturing, you should consider whether your productive capacity would allow you to generate enough inventory to support the level of sales you are predicting. If the volume of sales you forecast is above and beyond today's ability to produce, what changes in your operating environment must be made to meet the production levels? Will you need additional employees, if so, how much will they cost? Do you have to acquire additional machinery for your shop operations? What is the cost of the machinery and how will you finance the acquisition?

Once you have determined the cost of operating your production or service facilities, you need to consider the other expenses you will have. You typically will have to pay rent for your office or manufacturing facility. You must consider how much the monthly payment is and when it has to be paid. Ask yourself if there will be other cash requirements such as a deposit on first and last month's rent. If you are opening a new business, you must consider what your cash requirements are to make your facility ready for your specific needs and purposes. Will you have to buy or rent furniture? Will you need to make tenant improvements or pay deposits for utilities and other services?

You also need to consider many of the overhead items and costs to open a new business. These may be legal fees for drafting partnership agreements or incorporating your business. The cost to obtain business licenses, set up an accounting system, stationary costs, costs of signs or logos are a few examples of immediate expenses.

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It may seem like the list of costs and expenses to be incurred is endless. It may even discourage you in moving forward with your business endeavor. However, it is imperative to make the list as detailed as possible to ensure that you have sufficient funds to make your operation ready for business.

The more detailed the list and the more sufficient information you can provide, the less chance there is of unpleasant surprises as you move onward toward opening your business.

In addition to determining the amount and volume of expenses and cash outlays you will have to make, it is critical to determine the timing of such payments.

As we will discuss in another Chapter, there may be a variety of financing alternatives that are available to you. Most of the start-up cost that you incur can be delayed or deferred until you can generate the cash from your operation to help pay them. This

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fully analyzed and factored into your cash flow analysis. *However, a good rule of thumb is to assume that you are going to have to pay your expenses sooner than you think and that you will collect your cash slower than you anticipate.* If you work with this attitude, any surprises should be favorable ones.

## **Cash Flow Projections**

Cash flow projections can be very slow, time consuming and tedious to prepare. It is often very tempting to hire someone else to prepare the projections for you. There are a variety of individuals who can help you do this, but the critical factor is that they only **help**. You, as the owner and operator of the business, are the only one truly qualified to develop your cash flow projections. You know what it takes to open and operate your business. Certainly a trained professional can offer guidance and ask pointed questions to be sure that you are considering all of the necessary and sometimes hidden costs of operating a business. However, the more effort you put into developing the cash flow projections, the more accurate they will be. This exercise may also help you to pinpoint areas of potential cash savings that you would not have otherwise considered.



A sample of a cash flow projection is included in **Appendix B** that will assist you in developing your own cash flow projection. Bear in mind, however, this sample does not include all the items that should be considered in preparing your own cash flow projection. It will only help raise some of the questions you need to ask yourself before you can decide the amount of cash required to establish and operate your business and what time period will elapse before you can expect to pay back the lender or return profits to your investors.

## **CHAPTER SIX**

### **OBTAINING CREDIT AND FINANCING FOR YOUR BUSINESS**

If you are not independently wealthy and perhaps even if you are, you will probably need to obtain some outside capital for your business. In some instances, you may need to obtain capital for the initial expenses prior to opening your business or expansion or working capital during the off season.

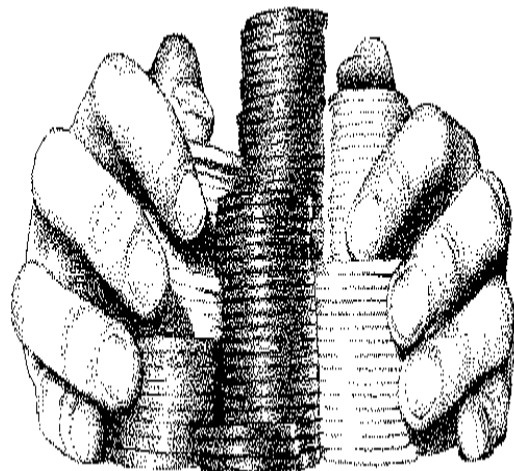
Generally business financing can take two forms, debt or equity. Debt, of course, means borrowing money. The loans may come from family, friends, banks, other financial institutions or professional investors. Equity relates to selling an ownership interest in your business. Such a sale can take many forms such as the admitting of a partner, or if you are in a corporation, issuing of common stock, options or warrants to investors. It is typically a prudent idea to consult with your lawyer as there are many significant legal ramifications to such a step.

#### **How Do I Get the Money?**

Irrespective of the type of financing you need and are able to obtain for your business, the process of obtaining it is somewhat similar. There are several questions that must be answered during the course of raising money for your business.

The ability to answer these questions is critical to your success in obtaining financing as well as the overall success of the business.

Remember, in raising capital you have to sell the profitability of your business to potential investors in much the same way you sell your product to your customers.





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### **1. How much cash do I need?**

To answer this question you will have to do some serious cash planning, which will require estimates of future sales, the related costs, and how quickly you must pay your vendors. You will also have to factor into your planning some assumptions about when you will generate enough cash to pay the money back. If you raise cash through equity, you probably don't need to pay it back, but your investors will want to know how the value of the business will grow, and how they will benefit through dividends or selling their shares.

### **2. What will you do with the money?**

One of the most important questions you have to answer for a potential investor is how the money will be spent. Will you use it for equipment, to hire additional employees or perhaps for research and development? Your answer on how you spend the money should include how it will benefit the company.

### **3. What experience do you have in running your business?**

One of the primary reasons for business failure is lack of experience and management. You will need to convince your investors that you have the knowledge, experience and ability to manage your business and their money at the level at which you expect to operate.

### **4. What is the climate for your type of business and your geographic location?**

Few investors will want to put money into your business if you haven't done sufficient "homework" to determine that you have a reasonable chance of success. If your business is based on existing economic or legal conditions which are subject to change in the near future your risk is substantially increased. Even if your business has great potential, if the local economy is sluggish to the point that it can't support your venture, you need to be aware of this before moving ahead.

Once you have developed concrete answers to these and other pertinent questions, you can begin looking for financing. One of the first steps is to determine whether to raise funds through debt or equity. There are positive and negative aspects to each type of capital. The cost to your company of each type of funding is different as is the way in which they are treated for income tax purposes. The interest on borrowed money is deductible (for income tax purposes subject to some proposed restrictions) by a business, which reduces the effective cost to your company. Dividends that you might pay on the same investment in shares would typically not be tax deductible by your company. In selling shares, there usually is no firm commitment by your company to pay the money back but your shareholder will want and generally will have a legal right to have a voice in the management of your company. When you have made the decision as to the type of financing you think is appropriate, it is a good idea to consult with your accountant as to alternative types of

## ***THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS***

debt or equity financing available.

### **Financing Alternatives**

Whether you determine that debt or equity financing is the best choice for your company, there are a number of alternative types of financing available. Depending upon the nature of your business, the financing may be a combination of debt and equity and should be tailored to fit the specific needs of your company.

What follows is a comprehensive discussion of the alternative methods of financing a business. Discussed first are the more traditional financing alternatives followed by a number of creative methods of financing your business.

A good business oriented Chartered Accountant can discuss any of these alternatives in greater detail. Such a discussion will help you narrow your search for funding and allow you to focus on the alternatives that are most likely to be successful.



## **TRADITIONAL FUNDING SOURCES**

### **Debt Financing Sources**

**Banks.** The first source of funds that typically comes to mind when borrowing money is a bank; that is their business. Banks typically lend to small businesses on a secured basis using equipment, inventory or accounts receivable. The more liquid and readily salable the assets you have to offer as security, the more acceptable they are likely to be to a banker.

Loans from a bank may take several forms such as:

1. A line of credit allows you to borrow up to a predetermined maximum as you need it and pay it back as funds from sales and receivables are collected.
2. A short term demand note payable in full on a specified date.
3. A term loan for the purchase of a specific asset such as a computer or a machine.

As your relationship with your banker becomes better and your business becomes established, you may consider a long-term (3 to 5 years) loan which will be payable in monthly installments.

**Lease financing.** In today's business environment, it is quite common to acquire equipment through lease agreements. Leasing packages come in a variety of types through many sources. Leasing companies typically will accept a somewhat higher degree of credit risk because they are looking to the value of the equipment for collateral if your business cannot make the payments. For this reason, leasing companies generally prefer to finance new equipment of a general-purpose nature that can be resold if necessary. Leases often run for a period of three to five years and because of the risk that leasing companies are willing to take, they are more expensive than commercial bank loans.

**Trade credit.** A very important source of financing for your company may be from the vendors and suppliers with whom you do business. Many suppliers will originally ask for cash on delivery or in some instances they require payment before starting on your order, depending on the nature of your purchase. Most suppliers will quickly establish trade credit with you once you have gained their confidence by continuing to do business with them and paying as requested. Establishing good relationships with trade creditors is essential because it allows you to use the goods and services in your operations and sell your product to your customers, in some instances, before you pay for them. The trade credit you build today will be relied upon as you attempt to establish yourself with other vendors in the future. Trade credit terms will vary depending on the type of purchase you make, the industry you are buying from and the industry you are in.

## **Equity Financing Sources**

Equity financing usually means selling a portion of your business. This can be accomplished in a number of ways including the sale of common or preferred shares or share warrants. Equity sales are usually carefully tailored to meet the needs of both the company and the investor.

**Venture capital companies.** A venture capital company or fund is a company that is in the business of taking risks. A venture capital fund is backed by a group of investors who may be individuals or corporations. A management group that evaluates potential investments and manages the existing investment portfolio often represents the investors.

The price of venture capital financing is usually very high when compared to borrowing money from a bank, but it must be remembered that venture capitalists are dealing with much higher risk situations than commercial banks will finance. This cost of venture capital is measured in terms of the portion of your company you must sell to obtain the level of financing you require. A venture capital firm sometimes requires a 300 to 500 percentage return on its investment over a four to five year investment period. While this may seem like an enormously high return, a venture capitalist is in the risk business and the return on a good investment must help offset those companies that do not meet their projections or fail altogether. To determine the price of such financing, a venture capitalist will start with the amount of financing you require and calculate what he must receive at the time his investment will be sold to allow him to achieve the rate of return he deems necessary.

Based upon the operating projections you provide, discounted based on his experience, he will estimate what your company might be worth at the time his investment will be liquidated. This might be at the point of a public offering or a sale to a corporate investor. The last step for a venture capital company in determining pricing is to calculate the percentage of the company he must own to realize the return he desires. At this point, the "horse trading" generally begins. As a general rule you will want to retain as much of the ownership of the company as you can. The venture capitalist wants enough ownership to achieve his investment goals and have some control over how his money is spent. This will often be achieved by voting power and representation on the Board of Directors. At the same time a venture capitalist wants to be sure there is sufficient reward in the company for you and your management team to be motivated and achieve the projections in your business plan.

An individual or group of individuals usually manages a venture capital company with a strong background in business and management. They can often provide depth of experience and management assistance in areas where your management team may be weak. A venture capital group can also provide contacts and valuable introductions in your industry. Remember a venture capital investor becomes a member of your team.

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**Private individuals.** Very often, individuals who are successful in their own right and have accumulated substantial wealth, may be looked to for investment in your business venture. Such individuals may believe that the success of your business may enhance their business as well as help increase their personal wealth. These individuals, like a venture capital company, very often want to participate in the management activities of your firm and help guide your progress through representation on the Board of Directors. The business acumen and contracts of these individuals can often be a valuable asset of your business. An individual investor can react to opportunity much quicker than a venture capital firm and typically has only his own interests to serve as opposed to a financial backer or group of limited partners.

Individual investors can be more flexible in the type of investment structure they can deal with, and often have personal, financial and tax motivations to consider.

**Angels.** If you only need limited amounts of capital, seeking a sophisticated type of private investor called an “angel” might be the best alternative. In North America angels invest billions of equity or loan capital in small businesses each year. These people generally invest in the \$25,000 to \$150,000 range, but sometimes you can get more by dealing with several “angels” at once, since they sometimes prefer to invest as a group. There are Securities Commissions in all provinces that govern this type of investment. This is a highly regulated environment that is changing constantly. Generally, you will need to consult professional advisors to determine how the current rules apply to your situation.

Be sure to check out their resumes and two or three references, especially the names of other entrepreneurs the angel has previously financed. Your “angel” could be your lawyer, doctor, accountant, or an interested individual in your community or industry. They are often executives who have been successful in an industry and now look to fund other companies in that area. Generally it is best to offer an “angel” straight equity, part ownership in your business in the form of common stock. Keep it simple and completely spelled out.

Angels have sometimes been called the “invisible” segment of the venture capital industry. Networking through trade associations, civic organizations and your business community may lead you on the path to an interested “angel”. With individuals you have a tremendous amount of leeway in structuring the investment. You can structure it as debt or equity and vary the terms and repayment. Sources of personal investors go beyond family and friends.



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**Locating Private Resources.** Just as it has in the past, reality suggests that the world of private investors, including friends, relatives, coworkers, wealthy acquaintances (angels) and various sophisticated individual investors, is a likely place to go to raise capital for your business. The total pool of all types of private investments in business is vast. For example, since 1992 in North America the venture capital industry invested record amounts (in the billions of dollars) in small private ventures. In addition to this, a variety of private investors invested many times that of traditional venture capitalists. As huge as this pool of money is, the forms that individual private business investments take are diverse, as are the creativeness of the people making the deals.

Choosing this private path leads to questions of how to find and inform a sufficient pool of potential investors about your need for private funding. Then, in exchange for the investors' money, what mechanism should be used to issue to them the documentation or securities that represent some equity or debt interest in your business? The key is knowing what aspects of deals are critical to your business and having multiple options available as you search for and enter into your funding negotiations.

In the Province of B.C. there are only two ways to legally offer the securities of your company to unrelated third party investors. They are:

- (1) The transaction must either be registered with the BC Securities Commission, as is done when a company "goes public" in the traditional sense, or
- (2) It must be exempt from registration, often referred to as a private placement or

limited stock offering. Due to the considerable legal requirements and the large commitment of time and money involved with a registered offering, many companies may not be ready to take this step. In recent times, exempt offerings are becoming more viable alternatives for companies in search of early funding. You will often require the assistance of a professional firm to assist you in the preparation of documentation (i.e. "The Book") and the marketing of the investment opportunity, even for an exempt offering. Today, professional firms that perform these services come from many disciplines including; Chartered Accounting Firms, Law Firms, Investment Banking Firms, Banks or Venture Capital Pools.

As a first step in this process you will need to determine whether or not your company is a viable candidate for offering securities to private investors via private placement. Once your company's suitability has been determined and the proper vehicle is selected. Upon completion of the book, you'll need to identify potential investors, market your offering to them and, most importantly, track your results. This process will help you to:

- evaluate your fund-raising situation to determine where you may need help;
- allow you to become knowledgeable of current exempt offering issues and regulations;
- cause you to perform the necessary preparatory steps;
- generate at least some preliminary documents to effect a Private Placement for your company.

## **CREATIVE SOURCES OF FUNDING**

## **THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS**

### **Self Funding**

The vast majority of businesses (close to 90%) are begun with less than \$150,000 and close to a third are begun with less than \$15,000. This kind of money is usually available to the motivated entrepreneur by taking a close look at the personal resources at his or her disposal well in advance. Several of the most common self-funding methods are described here.

#### **Personal Savings and Equity**

Most new businesses are started with the main source of funding coming from personal savings or various forms of personal equity. This capital reflects the degree of motivation, commitment and belief of the founder in the enterprise. This type of investment also takes the shape of sweat equity, where individuals either donate their time or provide it at below market value to help the business get established. Many times entrepreneurs use profits from previous endeavors to pour into their new enterprise.

**Moonlighting** Many home-based businesses are begun while the founder is still working a regular job. The income from this job can both help support the owner during negative or low cash flow of the business set up phase and it can provide working capital to augment the business's cash flow. Usually when the business begins paying as well or better than the regular job,

the entrepreneur can jump ship from his job and devote full time to building his new business.

**Home Equity Loans** This may be the fastest growing method of raising money for new businesses. Banks generally are willing to lend up to 75% or more of a home's appraised value, minus any existing mortgage(s). Using a CMHC insured mortgage through your existing bank, it is possible to mortgage up to 95% of the value of your home.

Home equity loans are offered through traditional lending sources such as banks, trust companies and credit unions. You can obtain funding through either refinancing your existing first mortgage or taking out a second mortgage. The 1998 interest rates for first mortgages and second mortgages are at an all time low and can provide a good source of relatively cheap capital today. It is possible to structure these home equity loans like a

bank line of credit at these favourable interest rates.

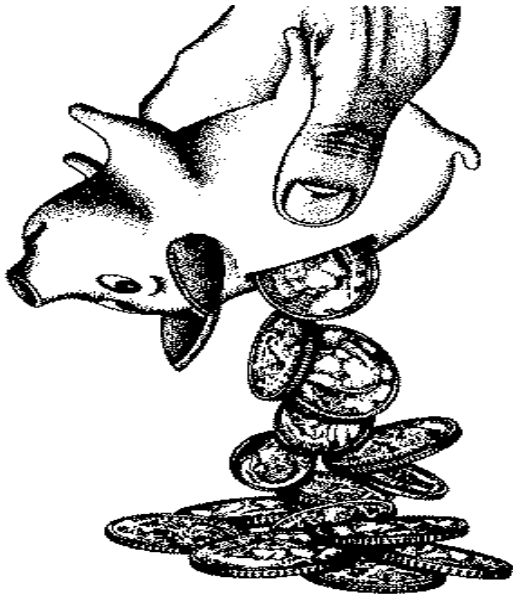
For tax purposes, generally you can deduct interest on home equity loans where the funds are borrowed for investment in a business. This makes a home equity loan attractive when looking for your start up capital. Remember that since this money is secured by your home, the lending institution can foreclose if you fall behind in your payments.

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### **Insurance Policies.**

This is a personal type of loan that is becoming more available and more popular as a method for obtaining early financing for a small individually owned business. Other entrepreneurs have been known to completely cash in their life insurance policies.

Many insurance companies have, in recent years, liberalized their criteria for allowing policyholders to borrow against the value of their policy.



### **Registered Retirement Savings Plans**

Dipping into your tax-deferred RRSP accounts can be a *last resort* for funding your business. This is generally due to the tax bite that is taken by the government when these plans are collapsed. This does not mean that this is not a viable financing method but, it requires careful advance planning. Therefore, you will need advice from your Chartered Accountant to plan for the income implications of this type of financing. Obtaining funds with this method may still be worth it to you if no other financing avenues are available and you have the motivation.

It might be possible to get an unsecured loan on the strength of your RRSP accounts. Although these accounts would not directly be pledged as collateral, the money could be withdrawn at a later date to repay the loan if it was required. In addition, RRSP loans are readily available in the first 60 days of the year and could be used to finance current contributions thereby freeing up existing savings for investment in your business. This would be an indirect way of borrowing smaller amounts against your RRSP on a short-term basis.



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**Bootstrapping.** Often the best money to go after is the money that can be saved from, the current costs and overhead of your ongoing business. This is a commonly overlooked source when business owners and managers are looking for the elusive “pie-in-the-sky” financing.

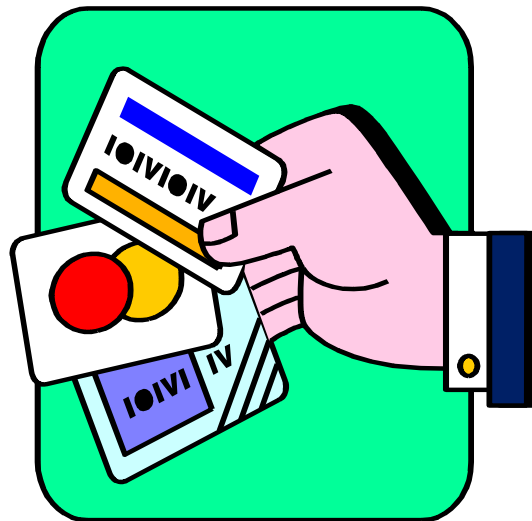
A penny so saved is literally more than a penny earned on the bottom line, and a penny less borrowed. The interest is saved on the now lower loan amount and the time and expenses associated with finding additional financing.

The process of thoroughly searching through your operation for opportunities of savings and improved efficiencies will also allow you to learn more about the intricacies of your company, which will put you in a position to manage it better—a double return on your invested time and effort.

The upshot is that by becoming more efficient and cost conscious, you will be in a stronger position at all times to qualify for refinancing options as they become needed and available.

**Credit Cards** While this is a costly method of financing, “Pulling out the plastic” for fast funding of your business is more viable now than ever before. MasterCard or Visa cardholders with good credit now often receive credit limits of \$10,000 and above. By being able to carry more than one credit card, as an entrepreneur you can considerably boost the total amount you can tap into at any one time.

Credit card interest rates on cash advances vary considerably, from as high as 21% to 15% or lower. Annual fees can also range from over \$50 down to zero. This means it is wise to investigate getting the best deal you can when obtaining your credit cards.



It may be advantageous to close out one or more of your high interest cards and transfer the balances to lower cost credit cards.

Remember that obtaining funds through credit cards costs much more than bank loans. If you do use your credit cards for business funding, pay them off as quickly as you can. Paying only the minimum payments can extend interest for years without making much progress toward paying off the principal. Also, if your enterprise should not pan out, the credit card payments you will be stuck with may place you in a personal financial squeeze.

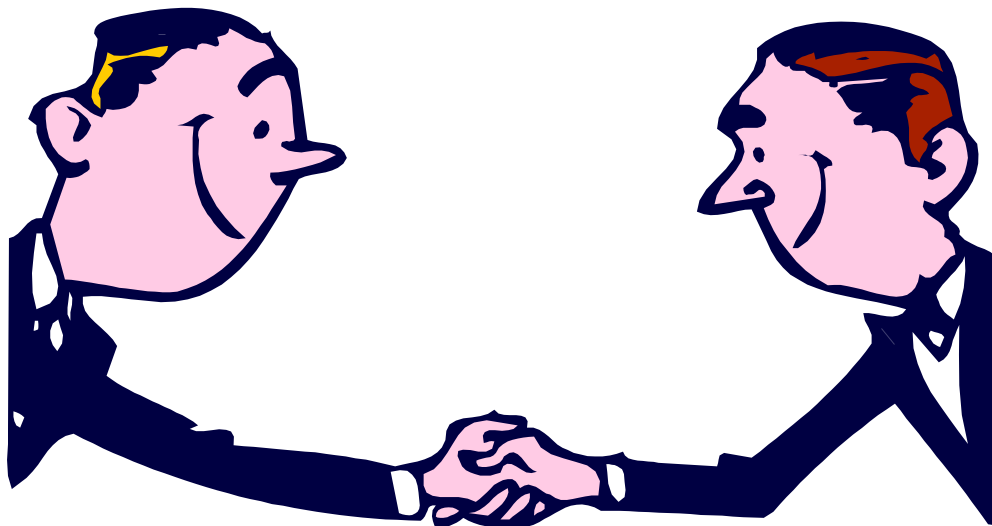
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### **Customers/ Trade Credit**

Certain types of businesses can require an advance deposit from customers, which quickly spurs cash flow. If you can encourage cash payment instead of giving the customer credit, you avoid financing him. Similarly, you can also facilitate receiving cash quickly by granting cash discounts for early payments by customers. In any case, the more quickly your success has an impact on your suppliers and customers, the more likely they are to offer such deals.

If you have a year long customer, but your work peaks heavily in one season, you may want to offer your customer equalized billing all year round to help even out both your cash flow and their cash flow.

If you consistently work to build an excellent reputation in your field, you will find that your customers can work with you to help finance or partially finance your enterprise.



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Actively working with your suppliers or customers on an indirect form of loan called trade credit can help generate quick cash flow and also minimize expenses. This method can take a wide variety of forms. We will examine several of these methods here to show you possible alternatives that may be workable in your business.

1. Some suppliers, seeing an opportunity to grow themselves, may advance goods to you, in effect, prime the pump if your venture looks particularly promising. You may have a certain strength in being a debtor who pays back without abusing your creditors. As you generate sales revenue you will have the funds to pay back the money owed and purchase additional goods. Variation of obtaining goods advanced from suppliers, extended terms of 90 to 120 days or even longer can sometimes be pre-negotiated with suppliers during special circumstances or to assist with seasonal cash flow peaks and valleys.

2. If you use a manufacturer as part of your business, you may be able to utilize this manufacturer as an indirect investor, without having to borrow a penny. The manufacturer can “lend”

you capital through use of their current raw materials, labor and technical know-how. They have wholesale leverage to assist or complete part of your design, set up, assembly, etc. for far less than you would have to spend. Give them a good faith cash payment up front plus a small stake in your enterprise or a return on investment percentage based on the success of the finished product. The manufacturer, as a specialist, will be able to complete the job in less time than if you took on the whole job yourself. By both parties having a stake and motivation in the project, you may well be able to be successful without having to call in third-party investors, like bankers, venture capitalists or “angels”. In certain situations, it may be beneficial for you to give a supplier, or even a landlord, equity for favorable long-term arrangements.

This can free up some immediate cash to help grow your business.

3. You may be able to lessen your required cash outlay to suppliers by negotiating to obtain a cash discount for your early payment. As an example, “Net 2 percent-10” means that a discount of 2 percent is granted if you pay for goods or services in full within 10 days. For small businesses the variety of trade financing mentioned here are all usually easier to negotiate than is obtaining bank financing. One reason for this is the amount of cash at risk. If your supplier’s variable costs represent 45% of the selling costs, then for \$100,000 of financing the supplier has \$45,000 cash at risk. The bank would have \$100,000 cash at risk.

In any situation of this sort, creative ideas and clear communication and agreements can help you get over many funding humps in your business. You’ll learn what trade credit opportunities like these are available with your suppliers and customers if you are willing to ask.

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**Trade or Barter** The need for capital can be lessened, especially in early stages of a business, through trading or bartering of your products or services with your suppliers. There are also associations that are formed to provide a network of barter opportunities among members.

This type of activity reduces needs for cash in the business. Caution should be taken to follow Canada Customs and Revenue Agency's regulations regarding this practice. Also, a clear agreement is needed among the parties to assure proper value is granted for the traded goods.

**Investment from Friends and Family** Next to personal savings, the second most popular source for start-up capital is friends and family. Often, they may not be as worried about quick returns as other outside investors would be. There have been many success stories from investments of friends and family. There is also a high incidence of problems associated with this source.

To illustrate this point, suppose that from the start of your business you had access to only the best and most sophisticated investors. Through this process both the investors and you would develop an understanding of the risks involved with investing in your business. It would be in both your and the investor's best interest for you to disclose fully in writing the risks associated with the investment.

Because this process of due diligence is often not carried out with family and friends, problems sometimes ensue. Thus, receiving capital from such a consenting, informed

investor is often better than from a rich, unsophisticated relative or friend. Your relative or friend may not investigate your deal carefully and, should problems occur with the business and investment, your relationship with them may suffer.

A wise policy is to provide the same disclosure to a friend or relative that you would provide to most sophisticated investors. Resist the temptation to keep things loose and undocumented. Draw up the terms, conditions and payment schedule in writing for their signature and yours. Even if you receive a "friendship loan" at no or low interest, provide documentation in return. This is the smart, professional business approach that minimizes the potential down side of unstated assumptions and their implications. As a result of formalizing your deal, your relationship with your friends and family will have a much better chance of remaining intact.

In many ethnic communities and foreign countries private loan clubs are a variation on obtaining funds from friends and family. Often a group of trusted friends pools money monthly to be awarded to a group member who needs and deserves it.



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## Shares Sales/Options to Employees and Other Closely Related Parties

**Employee Share Sales** Your employees can be your partners in solving needs for capital at your company in a variety of ways. You can offer certain senior and trusted employees to become common stockholders by investing in a purchase of your company stock. Employees usually have limited discretionary funds for stock purchases, but every dollar counts, and employee dollars usually come with the motivation to help improve the results of the company, thus the value of their investment. Common shareholders also have the right to have a say in the management of the company.


Another possibility is to offer these employees nonvoting preferred shares of stock in return for their investment.

Many companies in their early phases of growth offer key employees or business partners options to purchase certain amounts of stock at later dates, often at a discount price or on very generous terms. The stock options help supplement the employee's salary, which may be agreed to be below industry standards so that the company can retain this salary saving as capital for help in becoming successful.

By being part owners and participators in the profits, these desired employees will more likely choose to remain with your company instead of looking elsewhere for work. As with any individual investor, always document this investment relationship with your employees. With employee stock options you can legally maintain a right of first refusal, holding the first right to buy back the shares if the employee leaves or is terminated.

While there are many advantages to a company offering stock options, be careful not to give out options too easily, too quickly, or to persons whose true expertise and loyalty has not been fully demonstrated. What may not seem to be costing you much early on in the business could cost you dearly in terms of money and time later on, should your relationship with stock option holders deteriorate.

The lure of stock options is often a major lure for attracting talent to start-up companies in new technology industries.



Symbol	Price	Change	Volume	Open	High	Low	Close	Adj. Close	Dividend	Yield
APPL	117	+16 1/4	15	100 3/4	117 1/4	100 3/4	117 1/4	117 1/4	0.00	0.00%
MSFT	173	+3 1/4	24	170 1/4	173 1/4	170 1/4	173 1/4	173 1/4	0.00	0.00%
GOOGL	185	+13 1/4	16	171 3/4	185 1/4	171 3/4	185 1/4	185 1/4	0.00	0.00%
AMZN	104 1/2	+5 1/4	7 1/2	99 1/4	104 1/2	99 1/4	104 1/2	104 1/2	0.00	0.00%
FB	28 1/2	+1 1/4	12	27 1/4	28 1/2	27 1/4	28 1/2	28 1/2	0.00	0.00%
BRK.A	342	+17 1/4	14 1/2	324 3/4	342 1/4	324 3/4	342 1/4	342 1/4	0.00	0.00%
DIS	28	+1 1/4	10	26 3/4	28 1/4	26 3/4	28 1/4	28 1/4	0.00	0.00%
IBM	63 1/2	+1 1/4	10	62 1/4	63 1/2	62 1/4	63 1/2	63 1/2	0.00	0.00%
ORCL	69	+1 1/4	19	67 3/4	69 1/4	67 3/4	69 1/4	69 1/4	0.00	0.00%
INTC	17 1/4	+1 1/4	113	16 1/4	17 1/4	16 1/4	17 1/4	17 1/4	0.00	0.00%
QCOM	162 1/2	+11 1/4	7	151 1/4	162 1/2	151 1/4	162 1/2	162 1/2	0.00	0.00%
AVGO	176 1/2	+12 1/4	5 1/2	164 1/4	176 1/2	164 1/4	176 1/2	176 1/2	0.00	0.00%
TXN	2 1/2	+1/4	23	2 1/4	2 1/2	2 1/4	2 1/2	2 1/2	0.00	0.00%
CRM	236	+14 1/4	27	221 3/4	236 1/4	221 3/4	236 1/4	236 1/4	0.00	0.00%
PLMR	16 1/2	+1 1/4	77	15 1/4	16 1/2	15 1/4	16 1/2	16 1/2	0.00	0.00%
STRL	14 1/2	+1 1/4	112	13 1/4	14 1/2	13 1/4	14 1/2	14 1/2	0.00	0.00%
PTC	71	+12 1/4	24 1/2	58 3/4	71 1/4	58 3/4	71 1/4	71 1/4	0.00	0.00%
PCOM	12	+1 1/4	27	10 3/4	12 1/4	10 3/4	12 1/4	12 1/4	0.00	0.00%
PERI	7	+1 1/4	56	5 3/4	7 1/4	5 3/4	7 1/4	7 1/4	0.00	0.00%
PLXS	2 1/2	+1 1/4	6	1 1/4	2 1/2	1 1/4	2 1/2	2 1/2	0.00	0.00%
SWIN	75	+4 1/4	44 1/2	70 3/4	75 1/4	70 3/4	75 1/4	75 1/4	0.00	0.00%
PERI	100	+10 1/4	7	89 3/4	100 1/4	89 3/4	100 1/4	100 1/4	0.00	0.00%
GOOGL	17	+2 1/4	11 1/2	14 3/4	17 1/4	14 3/4	17 1/4	17 1/4	0.00	0.00%
ALSO	13	+1 1/4	11 1/2	11 3/4	13 1/4	11 3/4	13 1/4	13 1/4	0.00	0.00%
PERI	12	+1 1/4	2	10 3/4	12 1/4	10 3/4	12 1/4	12 1/4	0.00	0.00%
PERI	1	+1 1/4	9	0 3/4	1 1/4	0 3/4	1 1/4	1 1/4	0.00	0.00%
PERI	56	+5 1/4	316	50 3/4	56 1/4	50 3/4	56 1/4	56 1/4	0.00	0.00%
PERI	12	+1 1/4	13	10 3/4	12 1/4	10 3/4	12 1/4	12 1/4	0.00	0.00%
PERI	116	+14 1/4	34	102 1/4	116 1/4	102 1/4	116 1/4	116 1/4	0.00	0.00%
PERI	11	+1 1/4	10	9 3/4	11 1/4	9 3/4	11 1/4	11 1/4	0.00	0.00%
PERI	2	+1 1/4	30	0 3/4	2 1/4	0 3/4	2 1/4	2 1/4	0.00	0.00%
PERI	20	+2 1/4	10	17 3/4	20 1/4	17 3/4	20 1/4	20 1/4	0.00	0.00%
PERI	21	+2 1/4	39	18 3/4	21 1/4	18 3/4	21 1/4	21 1/4	0.00	0.00%
PERI	13	+1 1/4	12	11 3/4	13 1/4	11 3/4	13 1/4	13 1/4	0.00	0.00%
PERI	27	+1 1/4	118	25 3/4	27 1/4	25 3/4	27 1/4	27 1/4	0.00	0.00%
PERI	14	+1 1/4	20	12 3/4	14 1/4	12 3/4	14 1/4	14 1/4	0.00	0.00%
PERI	22	+1 1/4	60	20 3/4	22 1/4	20 3/4	22 1/4	22 1/4	0.00	0.00%
PERI	1	+1 1/4	19	0 3/4	1 1/4	0 3/4	1 1/4	1 1/4	0.00	0.00%
PERI	26	+2 1/4	40	23 3/4	26 1/4	23 3/4	26 1/4	26 1/4	0.00	0.00%
PERI	16	+1 1/4	145	14 3/4	16 1/4	14 3/4	16 1/4	16 1/4	0.00	0.00%
PERI	100	+10 1/4	12	89 3/4	100 1/4	89 3/4	100 1/4	100 1/4	0.00	0.00%
PERI	16	+1 1/4	10	14 3/4	16 1/4	14 3/4	16 1/4	16 1/4	0.00	0.00%

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### **Employee Stock Ownership Plans**

Companies can formally set up ESOPs (as they are called) to not only raise capital, but also raise employee moral and productivity. In a typical ESOP the employee is allowed, as determined by management, to purchase up to a certain amount of stock during a certain period of time. There are generally regulations about cashing in (redeeming) the stock if the employee should leave the company. An example might see an employee being able to have five percent or more of his or her weekly salary deducted for stock purchase after one year of employment. In B.C. there is a government sponsored employee ownership share plan or ESOP that allows employees to obtain a tax credit for funds invested in the shares of their employer. More information on ESOP's is available from the BC Enterprise Centre.

The usual benefits to the company include a steady flow of additional capital without having to put up collateral and without needing to pay a set amount of interest. As stockholders, employees see a possible additional source of income that they will have influence over through the quality and productivity of their work.

The company's lawyer, should handle ESOPs to insure the documentation and communication are done properly. This will ensure employee confidence in the ESOP and in the company.

### **Previous / Present Employer Share Sales**

Your employer may not want to lose your abilities and contributions, should you decide to start your own business. There are

situations where this employer can become your first major customer. This can be solidified with a purchase order if you are going to be providing manufactured goods, and also a specifically worded work for hire agreement if you are to provide services to your past employer.

In another situation, your employer may agree with you that it would be wise to spin off an idea of yours into a new company. Providing funds in this type of venture of yours may be a sound investment for the employer, who should already know the market, the competition and your abilities and motivation.

Should this setting unfold, have the appropriate agreements drawn up and signed to protect both sides with regards to resource requirements, payment and delivery. Make sure the employer is made aware of any negative impact the new venture could have on their existing business.

Some additional words of caution: don't become too dependent on your past employer and don't expect them to do all that it takes to set up your business. You need to start, run and be financially responsible for your company. Also, should your employer not express the interest to help start, fund or continue funding your new business, ask for a signed statement to that effect. At the same time, to be safe, be able to prove that you developed the concept for your business on your own time and with your own resources.

Employer funded start-ups have worked in many specialized industries, most notably the high-tech industry.

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**Individual Partners** The use of partners is a way to join forces with one or more individuals to expand the capabilities of the business. Like a marriage, the partners bring different and hopefully complementary resources to the business. For example, one may bring technical expertise, while the other may bring the primary financial resources. Another desirable match may be to partner two people, one who possesses administrative abilities with one who has strategic vision.

In order to maximize the potential for success you need to know your potential partner well before committing to such a business relationship. Ask hard questions. Make sure a partnership agreement is documented clearly and reviewed or drafted by a competent lawyer. Exit strategies and procedures for either partner should be detailed in writing early on to avoid conflicts or confusion later on. Communication between partners is crucial for defining the specific roles each partner is to provide to the business, preventing wasteful overlap of activities or gaps in the execution of functions. Honesty and openness with both good and bad news will allow the business to have the best chance at a healthy life.

A partnership can be a way to get a business up and running while one or both partners still have other work or business commitments. It may also be effective in the early stages of business growth or in turnaround situations.

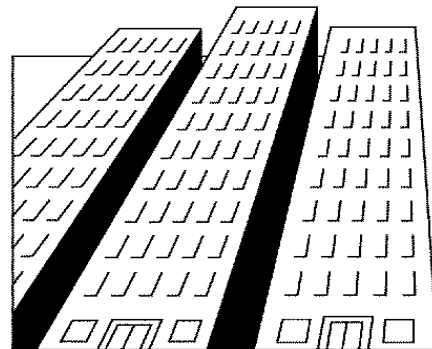


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**Corporate Partners** A growing trend in this decade sees small businesses forming partnerships with larger corporations. Most Fortune 500 companies are now involved with these arrangements as a part of their corporate strategy. In this model, the larger corporation becomes a minority owner of the smaller company.

As a small business you receive the advantage of access to capital. You may also receive, as you grow, access to some of the resources of the larger company, such as distribution capabilities and product development opportunities that could act as formidable barriers to entry for potential competitors of yours. Your partner company gets into attractive markets and will share in your profits.

The place to start looking for such potential corporate partners is with your larger suppliers or customers. Industry journals can also point you in the direction of an interested corporate partner.



### **Other Creative Non-Equity Financing Arrangements**

**Strategic Alliances** In an effort to quickly put together a profitable project, it is becoming more commonplace to have two or more enterprises combine forces in a collaborative effort. With businesses becoming more complex and global every day, and with increased emphasis on specialized knowledge and on fast new product development, strategic alliances are increasingly emerging among companies and entrepreneurs. The movie industry has modeled the concept of strategic alliances for decades and more recently the high tech sector has used this vehicle extensively. Diverse talent is sought and brought together for a common, defined project. After the project is completed, many contributing elements to the production are quickly disbanded. This is often followed by a formalized agreement to market the product created by the project. Strategic alliances need to be spelled out clearly in written agreements. For this type of alliance to work properly, the participating companies must build a high level of trust in each other. Strategic alliances are often difficult to coordinate and even harder to control. Should you or any of your strategic partners miss a significant milestone, you may lose your market lead, or even your company or significant parts of it. The relationships between the allied companies need a strong foundation and the goals and values of the companies need to be compatible.

The Internet and new high-speed communication channels are making it easier for companies to coordinate their efforts with strategic partners. The strategic partnership can work if the situation is right and the frame of mind of the participants is conducive to cooperative success.



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**Private Foundations** With determination and the ability to prove that a “charitable” investment in your enterprise will have positive social impact, benefiting more than just you, finding funding from a private, non-profit foundation is possible. While some foundations fund entrepreneurs directly, most foundations give money and support services to nonprofit organizations, which seek to accomplish the foundation’s mission by coordinating and supervising the distribution of these resources in exchange for the specialized work needed.

Foundations may be able to provide grants or low interest loans to entrepreneurs for social projects such as reconstructing areas after a disaster, rebuilding or beautifying disadvantaged communities, or training people in disadvantaged areas in job skills.

Check your local library for reference books on funding research resources. Once you have identified appropriate foundations or non-profit organizations, request their application guidelines and their annual reports. Then be prepared to spend time and effort filling out paperwork, writing a proposal and business plan and pitching to the right people.

**Government Grants, Guarantees and Low Interest Loans** Canadian small businesses also have a variety of government funding sources available to them for capital. In order to access these sources of funding you will need to contact either your professional advisors or the appropriate government bodies to determine which programs are available at the time you need funding.



There are publishing houses such as CCH, Carswell and the Canadian Institute of C.A.’s that produce printed manuals which track these programs and are generally current. You should check your local library for copies of these manuals.

## **CHAPTER SEVEN**

### **INSURANCE**

Business insurance, like many types of expenditures is one of those items which business owners typically do not like to pay. You must remember that sufficient insurance can be as critical to the success of your business as a good product or service. Without proper insurance you could lose all of the money, time and effort you put into your company.

The types and amounts of coverage you purchase must be evaluated on a cost-benefit basis like any other commodity that you purchase. Your accountant and insurance agent can help you review the amount of coverage you may wish to purchase for various purposes. Usually, you will want to insure against risks that could have significant detrimental impact on your business. This normally would include such items as fire, storm damage, theft, general and product liability.

Depending on the nature and size of your business it is often a good idea to self-insure for all or a portion of certain losses. Self-insurance can be accomplished by not buying coverage for incidental risks or increasing the deductions on policies that you do buy. Often, raising the deductible can have a very favorable impact on policy premiums. The administrative cost to the insurance company to process small claims is quite high; consequently the rates typically go down substantially if they are relieved of this expense by insuring for losses in excess of a sizable deductible amount. An insurance broker can provide you with comparative costs for various types of coverage with varying degrees of deductible amounts.

#### **Required Policies**

Very little insurance coverage is mandatory. The only insurance coverage typically required by law is Worker's Compensation, which covers injuries to employees while on the job. Your insurance agent can explain the required coverage, the rating systems, and help you purchase a policy.

You must also be aware that the terms of your building or office lease or mortgage may require you to carry certain kinds of insurance coverage in specified minimum amounts. If you have leased equipment or have borrowed money from a bank or other lenders, there will usually be insurance requirements in the agreements relating to these transactions.

There are many other types of policies that you may wish to consider. The specific coverage provided by each and the related costs can be explained in depth by a qualified insurance broker.



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Some of the types of insurance coverage that you might consider for your business are listed below:

### **Life and disability on the lives of the principals.**

This coverage is **extremely important** to ensure that the principal's personal financial situation is protected and the corporation is able to survive.

### **Business Interruption.**

This coverage, as the name implies, covers the revenues your business would lose if you were forced to shut down for reasons beyond your control. While this is obviously valuable insurance, the policy premium must be carefully considered relative to the potential profits your business might lose during a short shutdown of operations.

### **Employee Fidelity Bond.**

This type of insurance typically covers the risk of loss from theft by employees. If your business deals in large amounts of cash, negotiable securities, or similar types of assets, you may be well advised to consider this coverage.

Certain industries are required to carry this insurance by Regulatory Authorities.

**Umbrella Coverage.** This type of insurance covers losses above and beyond the limits of other policies that you carry. Umbrella policies usually pertain to liability of various sorts and are usually valuable if your business or you have a net worth that requires protection in the event of a catastrophic loss.



Insurance is like any other product that you purchase.

Before purchasing insurance you should consult with more than one broker as to your protection needs.

You should also discuss insurance needs with friends and/or acquaintances in the same or related business.

Before purchasing coverage, you should investigate the reputation of the company that is underwriting the policy.

Your insurance broker will be able to assist you in this area.

## **CHAPTER EIGHT**

### **SECURING RECEIVABLES**

In almost any business, small or large, goods and services are advanced to customers on credit. Credit sales assist a business in increasing its overall sales but also create new problems such as cash flow and collectability. Credit terms can be adjusted to improve a business' cash flow. However, collectability is often an inherent problem that even the most stringent credit applications can not prevent. Seldom do the businesses stop to consider taking security for these advances. This is to be contrasted with banks, which take security on 95% of their loans. Therefore, it is vital to consider securing your receivables in order to protect your business from possible loss of profit arising from not being able to collect your receivables. Not being able to collect your receivables directly affects your bottom line.

Below we will discuss some of the important aspects of taking security on personal property to secure receivables. This can now be very easily done as a result of the enactment of the **Personal Property Security Act (British Columbia) (the "Act")** in 1990.

#### ***What is "Personal Property"?***

In law, the phrase "personal property" may not have the meaning you would expect. The phrase "personal property" means assets that are not real property (land and buildings). Some examples are cars, furniture, equipment, inventory and receivables. Therefore, just about any asset your customer owns would be considered to be "personal property", which could be attached under the Act.

#### ***What is a "Security Interest"?***

A security interest is the charge or lien that attaches to personal property. Personal property security is much different than real property mortgage security granted pursuant to the land title system. A security interest is usually found in a security agreement or general security agreement ("G.S.A."), granted pursuant to the Act. Words such as "the Debtor hereby grants a security interest in (describe the personal property)" will usually suffice.

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### ***What is the Personal Property Registry?***

With the advent of the Act, a new form of registry developed as well. The Personal Property Registry (“PPR”) is the main registry for the registration of security interests over personal property. The actual security agreement is not registered at the PPR; a brief summary of the parties and the personal property charged are registered. A copy of the security agreement can be obtained from the secured party when an appropriate demand is given under the Act.

### ***What is the Cost of Registration in the PPR?***

In BC the cost of registration is \$5.00 per year. Therefore, to register for 3 years, the cost would be \$15.00 (typical length of registration). Registration can be effected on-line so it can be done very quickly and does not necessarily require the assistance of a lawyer each time.

### ***What Searches are Available?***

Both a company search in the corporate registry and a search of a debtor in the PPR are available for \$7.00 each, and can be effected on-line. The company search will give you basic information about a company such as the proper name of the company, the names of its directors and officers and its registered and records office. The PPR search will show you those who have registered a security interest against the personal property. PPR searches are generally conducted by the name of the debtor.

### ***What Documents Can Be Used to Take a Security Interest?***

A G.S.A. is generally used by banks, however, it is possible to include security interest language in other documentation such as a:

- Credit Application;
- Purchase Order;
- Engagement Letter; or
- Work Order.

The most important thing is that the debtor must agree in writing to provide the security interest. Under a G.S.A. a security interest is granted over all the present and **after acquired personal property**, which is the broadest grouping of assets to be charged under the Act. The same broad charge can be effected under the other types of documents referred to above.



### ***Who Must Sign the Security Agreement?***

The security agreement must be signed by an “authorized signatory”. Although each situation should be considered independently, the following are examples of the usual “authorized signatories”.

#### **CORPORATION**

*Any Officer  
Director  
Senior Employee*

#### **PARTNERSHIP**

*Partner*

#### **INDIVIDUAL PROPRIETORSHIP**

*Individual*

### ***What is a Purchase Money Security Interest (“PMSI”)?***

This is a special priority position achieved by a secured party who finances the acquisitions of particular assets. Generally your charge is ranked by the time you register in the PPR. However, if a secured party whom finances the acquisition of particular assets takes the proper steps, it can rank ahead of a prior registered security interest with respect to the financed assets.

### ***What Happens if a Debtor Defaults?***

If you take a security interest, you can seize and sell the assets, which are charged by your security. If you have a security interest in receivables, you can give notice to the third party whom is indebted to the debtor. You will be subject to any security interest ranking in priority to your charge. Often an agent or receiver is appointed to take possession of the assets on behalf of the secured party.

### ***Where Can I Find More About Securing Receivables?***

SYS Law Corporation, which carries on business under the name “Secure Your Sales <sup>MT</sup>”, focuses exclusively on helping businesses take security on their receivables. Their telephone number is (604) 681-5533 and they can be reached by e-mail at [syslaw@hotmail.com](mailto:syslaw@hotmail.com).

*Wayne Zielke Inc. staff thank Digby Leigh and staff of Hobbs & Leigh Barristers & Solicitors for the contribution of this Chapter Eight of our New Business Guide*

## **CHAPTER NINE**

### **SELECTING PROFESSIONAL ADVISORS**

#### **Things to Consider**

Starting your own business obviously entails a multitude of decisions; decisions which can seem overwhelming without the right players on your team. In order to succeed you need to equip yourself with every tool at your disposal.

One of the most cost-effective tools you can utilize is the expertise of a specialist. The right accountant and lawyer can eliminate a host of problems and potentially costly errors you might make as you build the financial foundation of your successful business.

As any coach can tell you, having a first rate quarterback won't guarantee a winning team without a first rate line of defense. The right accountant and lawyer **are** your best defense. Their expertise can help save you money which in turn can be used to increase profits.

Wayne Zielke, Chartered Accountant, has the skills and experience to help you start your business, improve your business and individual bottom lines. We offer:

- Business planning experience
- Current knowledge of requirements and regulations
- Planning opportunities
- Strong accounting skills
- Monthly bookkeeping services
- Flexibility and dedication to client service not found in large or less contemporary organizations.

You want to succeed - and you can. By taking the time to make key decisions and enlisting the right players on your team - you will succeed!

**We wish you success and welcome you to the wonderful world of free enterprise.**



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## **APPENDIX A MARKETING TOOLS**

### **Marketing Plan Questionnaire**

The following is a set of questions that will help you develop a marketing plan for your business:

**1. What type of business do you have?**

[e.g. Service or Product or Both Product & Service]

**2. What is the principal purpose of your business?**

[ e.g. To help business owners start a new business or to help business owners run their businesses more effectively]

**3. Who are your target or potential customers?**

[ e.g. small companies or individuals with; 0 - \$30 million in sales or 50 - 100 employees or 15 - 20 years in business]

**4. What is your primary product or service?**

[e.g. Consulting services, Electronic Commerce Software, or Web page development]

Note: If there is more than one product or service, focus on your primary one.

**5. What is the primary function of your product or service?**

[e.g. To enable customers to replace current paper based business functions with web based business functions]

**6. What are the principal unique benefits of your product or services?**

[e.g. To allow businesses to reduce the cost of their business processes]

**7. What is your reason for being in this business?**

[e.g. You are well versed in this area due to your training and or past experience and you have some special insight into the demand for this time of product/service]



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**8. What led you to develop your product or service?**

[i.e. Describe what special insight or how your background led you to develop your product or service]

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**9. Who is your competition?**

**10. How is your product different from that of your competition?**

[e.g. Our business is built on people with real world business experience while most competitors are just computer geeks with some neat programming idea without any foundation in the real world]

**11. What are the top three objections to buying your product or service immediately?**

Note : It is best to address any possible objections up front. This will keep you from having to be on the defensive, acting like you overlooked something or have something to hide.

**12. What is the pricing of your product compared to the competition identified above?**

**13. When was the product first offered for sale or when will the product be available?**

[e.g. December 1998]

**14. Is your product or service connected to other products or services either internal or external to your business?**

[e.g.. Our product is a web based business solution that requires access to the internet as well as the use of 2 other software titles]

**15. Is there special pricing or any type of special offer to distributors or certain customers?**

[e.g. The target price is \$500 per seat, but significant price breaks are offered to businesses that sign our partners program which lowers the cost by up to 40% for orders in excess of 10 seats]

**16. What is the key message or phrase that describes your business?**

[e.g. Web enabled applications to market your business]

Note: Try to keep the key message to one sentence.

**17. What are your current plans for advertising and promoting your product / service?**

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[e.g. A direct mail campaign to business in our database, a marketing and ad co-op campaign, coordinated retailers, a request form on our website]

### **18. Do you have printed promotional material about your product / service?**

[e.g. Datasheets, brochures, diagrams, sketches, photographs, related press releases or other printed or web based documentation]

### **19. How will your marketing plan assist the growth of your business?**

[e.g. Describe how you believe that the marketing plan will add value to the product or service that the business offers]

### **20. How do you plan to evolve your marketing plan to meet the future needs of your business?**

[e.g. Describe how you plan to update your marketing materials or make the plan progress with the growth of your business such as; updates from your website as you make changes or add new products]

### **21. Do you have the marketing and sales management expertise needed to achieve your business goals?**

[e.g. List the names of your sales and marketing managers and their qualifications in the following format:

[name]-Vice President of Sales has extensive retail marketing experience

[name]-Vice President of Marketing has extensive direct marketing experience as well as advertising and packaging knowledge

[name]-Web Marketing Manager is a brilliant web programmer and knows how to...]

Note: If the above exercise identifies holes in your personnel, describe who you need, who you have identified and how their start dates tie into the rest of your business plan.

### **22. What is the market positioning statement for your business?**

Note: Use the preceding questions to develop the market positioning statement. It's important to develop strong, positive statements so you'll sound confident when you

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talk to potential employees, investors, bankers, professional advisors and reporters. When you've completed this positioning statement, test your statement by reading it out loud. Do the words roll off your tongue or are they tongue twisters? Try reading your completed statements to people in your business, preferably people who are not familiar with the product. Then, ask if they can explain in their own words what your company does and who can benefit from your products or services. If they can, you're ready to talk with the people identified above. If not, you may need to refine your statements.

## **Competition Analysis Checklist**

The following checklist will assist you in getting to know who your competitors are, where you stand, and what to do about it.

### **Objectives of the checklist are to:**

1. Complete an objective listing of your competitors showing exactly where you stand.
2. Complete script for your sales and marketing people to use to systematically defeat our competitors advantages, benefits, claims, features, and dirty tactics.
3. Develop a prioritized list of action items for your product development group to help develop a product that is undoubtedly the *best* product in your industry.

### **Checklist action items are:**

1. Meet with staff to discuss your competitors, their market position, claims, etc., and what questions we should ask them when you carry out your research.
2. Contact your competitors in order to obtain their literature and hear their sales pitch.
3. Drill your competitors' salespeople to find out everything about their perceived features, benefits, advantages... and how they may sell their product against yours.
4. Document, word-for-word, your competitors entire sales pitch, including everything they say about your business.
5. Organize and analyze the competitive literature you collect.
6. Search on-line databases or other sources for news clippings, articles, stories and other relevant data about your competitors and your target market.
7. Contact your potential resellers and customers to ask their opinions about the identified competitors and their products.

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8. Develop a complete competitive matrix showing all identified competitors and their strengths and weaknesses.
9. Meet with your sales and marketing people to brainstorm the optimum responses to all of our competitors' statements.
10. Develop a full script of bulletproof responses for all of your sales and marketing people to use. [e.g. "I'm glad you asked *that* question. . ."]
11. Organize and host a focus group of appropriate customers and prospects to solicit customer input.
12. Compare your strengths and weaknesses, from an objective perspective and according to your competitor's emphasis on your weaknesses.
13. Develop and prioritize action items for your product development group to make product improvements.
14. Develop an interim marketing strategy to counter your identified weaknesses and your competitors identified strengths.
15. Set deadlines for the completion of the above actions items and follow through with a plan.

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**APPENDIX B  
FINANCIAL MANAGEMENT TOOLS  
Sample Cash Flow Projection**

Sales	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>	<u>July</u>
Product A	\$10,000	\$15,000	\$20,000	\$30,000	\$45,000	\$40,000	\$20,000
Service B	\$5,000	\$5,500	\$6,000	\$6,500	\$7,000	\$7,500	\$8,000
<b>Total Sales</b>	<b>\$15,000</b>	<b>\$20,500</b>	<b>\$26,000</b>	<b>\$36,500</b>	<b>\$52,000</b>	<b>\$47,500</b>	<b>\$28,000</b>
Cost of Goods Sold							
Material	\$3,850	\$5,282	\$6,714	\$9,521	\$13,704	\$12,386	\$6,944
Labor	\$3,100	\$3,801	\$4,502	\$5,704	\$7,405	\$7,106	\$5,307
Direct Cost of Sales							
Production Salaries	\$1,000	\$1,008	\$1,016	\$1,024	\$1,032	\$1,040	\$1,048
Production Facility Expense	\$2,000	\$2,023	\$2,047	\$2,071	\$2,095	\$2,120	\$2,145
Small Tools / Supplies	\$150	\$160	\$170	\$180	\$190	\$200	\$210
Packaging Supplies	\$200	\$203	\$206	\$209	\$212	\$215	\$218
<b>Total Cost of Goods Sold</b>	<b>\$10,300</b>	<b>\$12,477</b>	<b>\$14,655</b>	<b>\$18,709</b>	<b>\$24,638</b>	<b>\$23,067</b>	<b>\$15,872</b>
<b>Gross Profit</b>	<b>\$4,700</b>	<b>\$8,023</b>	<b>\$11,345</b>	<b>\$17,791</b>	<b>\$27,362</b>	<b>\$24,433</b>	<b>\$12,128</b>
Sales & Marketing							
Advertising	\$500	\$550	\$600	\$650	\$700	\$750	\$800
Commissions	\$255	\$338	\$421	\$579	\$811	\$744	\$452
Entertainment	\$150	\$157	\$164	\$171	\$178	\$185	\$192
Salaries	\$500	\$509	\$519	\$529	\$539	\$549	\$559
Travel	\$200	\$210	\$220	\$230	\$240	\$250	\$260
<b>Total Sales &amp; Marketing Costs</b>	<b>\$1,605</b>	<b>\$1,764</b>	<b>\$1,924</b>	<b>\$2,159</b>	<b>\$2,468</b>	<b>\$2,478</b>	<b>\$2,263</b>
General & Administrative							
Accounting	\$225	\$235	\$245	\$255	\$265	\$275	\$285
Admin Salaries	\$1,200	\$1,223	\$1,246	\$1,269	\$1,293	\$1,317	\$1,342
Bad Debts	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation	\$83	\$83	\$83	\$83	\$83	\$83	\$83
Equipment Rental	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance	\$1,000	\$1,004	\$1,008	\$1,012	\$1,016	\$1,020	\$1,024
Legal Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Licenses and Permits	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office Expenses	\$100	\$115	\$130	\$145	\$160	\$175	\$190
Office Rental	\$2,000	\$2,008	\$2,016	\$2,024	\$2,032	\$2,040	\$2,048
Telephone	\$300	\$305	\$310	\$315	\$320	\$325	\$330
Utilities	\$150	\$160	\$170	\$180	\$190	\$200	\$210
<b>Total G &amp; A Costs</b>	<b>\$5,058</b>	<b>\$5,133</b>	<b>\$5,208</b>	<b>\$5,283</b>	<b>\$5,359</b>	<b>\$5,435</b>	<b>\$5,512</b>
Total Operating Expenses	\$6,663	\$6,897	\$7,132	\$7,442	\$7,827	\$7,913	\$7,775
Income From Operations	(\$1,963)	\$1,126	\$4,213	\$10,349	\$19,535	\$16,520	\$4,353
Interest Income	\$100	\$110	\$120	\$130	\$140	\$150	\$160
Interest Expense	(\$1,000)	(\$991)	(\$982)	(\$973)	(\$964)	(\$956)	(\$948)
<b>Income before Taxes</b>	<b>(\$2,863)</b>	<b>\$245</b>	<b>\$3,351</b>	<b>\$9,506</b>	<b>\$18,711</b>	<b>\$15,714</b>	<b>\$3,565</b>
Income Tax Recovery (expense)	658	(56)	(771)	(2,186)	(4,304)	(3,614)	(820)
Net Income After Taxes	<b>(\$2,205)</b>	<b>\$189</b>	<b>\$2,580</b>	<b>\$7,320</b>	<b>\$14,407</b>	<b>\$12,100</b>	<b>\$2,745</b>
<i>% of Total Sales</i>	<i>-14.70%</i>	<i>0.92%</i>	<i>9.92%</i>	<i>20.05%</i>	<i>27.71%</i>	<i>25.47%</i>	<i>9.80%</i>

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<b>Sales</b>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Year 2000</u>	<u>Sales</u>
Product A	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$280,000	75.1%
Service B	\$8,500	\$9,000	\$9,500	\$10,000	\$10,500	\$93,000	24.9%
<b>Total Sales</b>	<b>\$28,500</b>	<b>\$29,000</b>	<b>\$29,500</b>	<b>\$30,000</b>	<b>\$30,500</b>	<b>\$373,000</b>	<b>100.0%</b>
<b>Cost of Goods Sold</b>							
Material	\$7,001	\$7,059	\$7,116	\$7,174	\$7,232	\$93,983	25.2%
Labor	\$5,509	\$5,710	\$5,911	\$6,112	\$6,314	\$66,481	17.8%
<b>Direct Cost of Sales</b>							
Production Salaries	\$1,056	\$1,064	\$1,072	\$1,081	\$1,090	\$12,531	3.4%
Production Facility Expense	\$2,170	\$2,195	\$2,221	\$2,247	\$2,273	\$25,607	6.9%
Small Tools / Supplies	\$220	\$230	\$240	\$250	\$260	\$2,460	0.7%
Packaging Supplies	\$221	\$224	\$227	\$230	\$234	\$2,599	0.7%
<b>Total Cost of Goods Sold</b>	<b>\$16,177</b>	<b>\$16,482</b>	<b>\$16,787</b>	<b>\$17,094</b>	<b>\$17,403</b>	<b>\$203,661</b>	<b>54.6%</b>
<b>Gross Profit</b>	<b>\$12,323</b>	<b>\$12,518</b>	<b>\$12,713</b>	<b>\$12,906</b>	<b>\$13,097</b>	<b>\$169,339</b>	<b>45.4%</b>
<b>Sales &amp; Marketing</b>							
Advertising	\$850	\$900	\$950	\$1,000	\$1,050	\$9,300	2.5%
Commissions	\$460	\$468	\$476	\$484	\$492	\$5,980	1.6%
Entertainment	\$199	\$206	\$213	\$220	\$227	\$2,262	0.6%
Salaries	\$569	\$580	\$591	\$602	\$613	\$6,659	1.8%
Travel	\$270	\$280	\$290	\$300	\$310	\$3,060	0.8%
<b>Total Sales &amp; Marketing Costs</b>	<b>\$2,348</b>	<b>\$2,434</b>	<b>\$2,520</b>	<b>\$2,606</b>	<b>\$2,692</b>	<b>\$27,261</b>	<b>7.3%</b>
<b>General &amp; Administrative</b>							
Accounting	\$295	\$305	\$315	\$325	\$335	\$3,360	0.9%
Admin Salaries	\$1,367	\$1,393	\$1,419	\$1,446	\$1,473	\$15,988	4.3%
Bad Debts	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Depreciation	\$83	\$83	\$83	\$83	\$83	\$996	0.3%
Equipment Rental	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Insurance	\$1,028	\$1,032	\$1,036	\$1,040	\$1,044	\$12,264	3.3%
Legal Fees	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Licenses and Permits	\$0	\$0	\$0	\$0	\$0	\$0	0.0%
Office Expenses	\$205	\$220	\$235	\$250	\$265	\$2,190	0.6%
Office Rental	\$2,056	\$2,064	\$2,072	\$2,080	\$2,088	\$24,528	6.6%
Telephone	\$335	\$340	\$345	\$350	\$355	\$3,930	1.1%
Utilities	\$220	\$230	\$240	\$250	\$260	\$2,460	0.7%
<b>Total G &amp; A Costs</b>	<b>\$5,589</b>	<b>\$5,667</b>	<b>\$5,745</b>	<b>\$5,824</b>	<b>\$5,903</b>	<b>\$65,716</b>	<b>17.6%</b>
<b>Total Operating Expenses</b>	<b>\$7,937</b>	<b>\$8,101</b>	<b>\$8,265</b>	<b>\$8,430</b>	<b>\$8,595</b>	<b>\$92,977</b>	<b>24.9%</b>
<b>Income From Operations</b>	<b>\$4,386</b>	<b>\$4,417</b>	<b>\$4,448</b>	<b>\$4,476</b>	<b>\$4,502</b>	<b>\$76,362</b>	<b>20.5%</b>
Interest Income	\$170	\$180	\$190	\$200	\$210	\$1,860	0.5%
Interest Expense	(\$940)	(\$932)	(\$924)	(\$916)	(\$908)	(\$11,434)	-3.1%
<b>Income before Taxes</b>	<b>\$3,616</b>	<b>\$3,665</b>	<b>\$3,714</b>	<b>\$3,760</b>	<b>\$3,804</b>	<b>\$66,788</b>	<b>17.9%</b>
Income Tax Recovery (Exp)	(832)	(843)	(854)	(865)	(875)	(\$15,361)	
<b>Net Income After Taxes</b>	<b>\$2,784</b>	<b>\$2,822</b>	<b>\$2,860</b>	<b>\$2,895</b>	<b>\$2,929</b>	<b>\$51,427</b>	<b>13.8%</b>
<i>% of Total Sales</i>	<i>9.77%</i>	<i>9.73%</i>	<i>9.69%</i>	<i>9.65%</i>	<i>9.60%</i>	<i>13.79%</i>	



**THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS**

**Personal Statement of Net Worth**

Name	Birthdate:	Social Insurance No.:
Address		Home Telephone #:
		Business Telephone #:

<b>Assets</b>		<b>Liabilities</b>	
Bank accounts, from below	_____	Credit Cards (from below)	_____
Short-Term Investments	_____	Car Loan	_____
Treasury Bills	_____	Loan on Life Insurance	_____
Savings Certificates	_____	Installment Loans	_____
Money Market Funds	_____	Accrued Income Taxes	_____
Cash Value of Life Insurance	_____	Other Debt	_____
<b>Total Liquid Assets</b>	_____	<b>Total Short-Term Liabilities</b>	_____
<b>Investment Assets</b>		<b>Long-Term</b>	
Notes Receivable, from below	_____	Personal Loans	_____
Marketable Securities	_____	Loan to Acquire Business	_____
Securities (from below)	_____	Mortgage on Residence(s)	_____
Bonds	_____	Note to Business	_____
Real Estate (investment)	_____	<b>Total Long-Term Liabilities</b>	_____
RRSP's	_____		
<b>Total Investment Assets</b>	_____	<b>Contingent Liabilities</b>	
<b>Personal Assets</b>		Endorser	_____
Residence	_____	Guarantor (SBA Loan)	_____
Vacation Property	_____	Damage Claims	_____
Art, Antiques	_____	Taxes	_____
Furnishings	_____	Other	_____
Vehicles	_____	<b>Total Contingent Liabilities</b>	_____
Other	_____		
<b>Total Personal Assets</b>	_____	<b>Total Liabilities</b>	_____
<b>Total Assets</b>	_____ <b>A</b>		

**Net Worth A-B**

Checking / Savings Account Description	Name on Account	Institution/ Account Number	Balance
Checking #1			
Savings #1			
Savings #2			
<b>Total Savings Accounts</b>			

Credit Accounts	Name on Account	Monthly Payment	Institution/ Account Number	Balance of Account
Visa				
MasterCard				
American Express				
Car Loan				
<b>Total Credit Accounts</b>				

I have read, understand and agree to make these representations and warranties.

_____ Your Signature	_____ Date	_____ Your Spouse's Signature	_____ Date
-------------------------	---------------	----------------------------------	---------------

**THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS**

**Sample Accounts Receivable Aging Report  
As At July-2000**

*Outstanding Accounts Receivable (in number of days)*

<b>Customer</b>	<b>0 to 30</b>	<b>30 to 60</b>	<b>60 to 90</b>	<b>90 to 120</b>	<b>over120</b>	<b>Total</b>	<b>Total</b>
Customer A	\$76,563	\$58,248	\$35,327	\$0	\$0	\$170,138	12%
Customer B	\$73,125	\$55,495	\$22,854	\$15,006	\$0	\$166,480	11%
Customer C	\$59,208	\$39,206	\$16,522	\$15,919	\$4,619	\$135,474	9%
Customer D	\$87,987	\$57,256	\$36,983	\$0	\$0	\$182,226	13%
Customer E	\$57,695	\$32,625	\$21,854	\$10,962	\$3,585	\$126,721	9%
Customer F	\$43,749	\$29,717	\$19,585	\$20,432	\$23,744	\$137,227	9%
Customer G	\$83,351	\$53,895	\$35,627	\$22,214	\$0	\$195,087	13%
Customer H	\$51,462	\$36,457	\$21,021	\$8,356	\$0	\$117,296	8%
Customer I	\$60,748	\$45,487	\$35,412	\$0	\$0	\$141,647	10%
Customer J	\$22,154	\$15,741	\$16,261	\$13,850	\$8,201	\$76,207	5%
<b>Total</b>	\$616,042	\$424,127	\$261,446	\$106,739	\$40,149	\$1,448,503	100%
<b>Percentage of Total Accounts Receivable</b>	43%	29%	18%	7%	3%	100%	

**APPENDIX C**

**ACCOUNTING SYSTEM TOOL**

**Sample Chart of Accounts**

Balance Sheet Accounts

Current Assets:

1000 Cash  
1100 Temporary Investments  
1200 Accounts Receivable  
1210 Allowance for Uncollectibles  
1250 Notes Receivable  
1300 Interest Receivable  
1350 Inventory  
1400 Prepaid Rent  
1410 Prepaid Insurance

Long-Term Investments:

1510 Land  
1520 Investments

Capital Assets:

1610 Parking Lot  
1620 Store Equipment  
1630 Accumulated Amortization

Delivery Equipment

1640 Delivery Equipment  
1650 Accumulated Amortization-

Intangible Assets:

1910 Patents  
1920 Goodwill  
1930 Incorporation Cost

Current Liabilities:

2000 Bank Indebtedness  
2100 Accounts Payable  
2200 GST Collected  
2210 GST Paid on Purchases  
2300 Social Service Tax Payable  
2400 Interest Payable  
2500 Wages and Salaries Payable  
2600 Source Deductions Payable  
2700 Income Tax Payable  
2800 Advances from Customers  
2900 Rent Received in Advance

Long-Term Liabilities:

2400 Loans Payable  
2410 Mortgage Payable

Shareholder's Equity:

3400 Share capital  
3500 Contributed surplus  
3610 Dividends  
3640 Current Year Earnings  
3650 Retained Earnings

**THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS**

**Sample Chart of Accounts (Continued)**

Income Statement Accounts

Sales/Revenue:

- 4000 Sales
- 4010 Sales discounts
- 4020 Cash over/under
- 4030 Sundry income

Cost of Sales:

- 5000 Purchases
- 5010 Returns and Allowances
- 5020 Purchase Discounts
- 5030 Transportation In
- 5040 Cost of Goods Sold

Operating Expenses:

- 6000 Advertising and Promotion
- 6050 Amortization
- 6020 Bad Debts
- 6030 Freight and Delivery
- 6040 Insurance
- 6050 Interest
- 6060 Office
- 6070 Rent
- 6080 Selling Expenses
- 6090 Transportation
- 6100 Travel
- 6110 Wages and Benefits

Other Revenue:

Land

- 7010 Rent of Land
- 7020 Interest

Income Tax:

- 8000 Income Tax Expense

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**APPENDIX D  
OPERATIONS MANAGEMENT TOOLS**

**Billing worksheet**

Invoice number: \_\_\_\_\_

Invoice date: \_\_\_\_\_

PO number: \_\_\_\_\_

Contact person: \_\_\_\_\_

Company name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone #: (\_\_\_\_) \_\_\_\_\_ Fax #: (\_\_\_\_) \_\_\_\_\_

**Job Description:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Billing:** Hourly rate for services: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Total: \_\_\_\_\_ hours @ \_\_\_\_\_ per hr = \$ \_\_\_\_\_

**Materials** \_\_\_\_\_ @ \_\_\_\_\_

\_\_\_\_\_ @ \_\_\_\_\_

\_\_\_\_\_ @ \_\_\_\_\_

**Terms:** \_\_\_\_\_ COD \_\_\_\_\_ Net 10 \_\_\_\_\_ Net 30 \_\_\_\_\_ Other \_\_\_\_\_

Special Instructions: \_\_\_\_\_

\_\_\_\_\_ Send bill \_\_\_\_\_ Fax bill \_\_\_\_\_ Hold for pick-up \_\_\_\_\_ Deliver \_\_\_\_\_ C.O.D.

## **Cheque Acceptance Guidelines**

There are some inherent risks associated with accepting Cheques that can be minimized. Here are some basic guidelines for accepting Cheques:

1. Accept only personal or company Cheques made payable your company.  
Do not accept Cheques if:
  - postdated or outdated (more than 6 months old)
  - Cheque is not written in *ink*
  - Has erasures or corrections
  - Written amount and numerical amounts are not the same
  - Signature does not match with identification provided
  - It is an un-printed starter Cheque or a beginning number series is used
  - Cheque is not for exact amount of purchase
2. Write the customers driver's license number on the face of the Cheque above their printed name. Require proper and valid identification such as driver's license, credit cards, and insurance cards.
3. Set a Ceiling limit for all Cheques at a certain \$ amount. If the amount of any Cheque is over the ceiling have the manager or owner approve it before acceptance.
4. Be concerned if customer is unconcerned about price. If it is a bogus Cheque, the passer could care less what is charged.
5. If in doubt, remember to call the bank to verify that funds are available.
6. Out-of-town banks should raise a question as to why the customer is making purchase here.

When a Cheque is determined to be *bad*, the following procedures should be implemented:

1. For insufficient funds try the following procedures:
  - Attempt to Re-deposit the cheque
  - Notify writer by registered mail
  - Turn over to collection agency if returned a second time
2. For closed accounts and forgeries try the following procedures:
  - Try to identify the Cheque passer
  - Maintain a list of all names and aliases on bad Cheques  
Exchange names with other distributors who are likely to get hit
  - Watch for returns and requests for cash refunds for merchandise, noting identifying information on sales
  - Always prosecute or notify legal authorities when identification is made.

## **APPENDIX E**

## **CANADA CUSTOMS AND REVENUE AGENCY FORMS**

### **Corporate Tax**

- T2 Corporate Income Tax Return
- Request for a Business Number
- Business Consent Form
- Tax Calculation Supplementary-Corporations (1997 and later taxation years)
- Capital Cost Allowance
- Cumulative Eligible Capital Deduction
- Dividends Received and Taxable Dividends Paid
- Summary of Dispositions of Capital Property
- Calculation of Aggregate Investment Income and Active Business Income
- Calculation of Canadian Manufacturing and Processing Profits

### **Employee/Owner Remuneration**

- T4 Summary
- T4 Statement of Remuneration Paid
- T5 Summary
- T5 Supplementaries

### **GST Forms**

- Reporting Period Election
- GST Return of Acquisition of Real Property
- Election and Revocation of an Election to Use the Quick Method of Accounting

### **Personal Tax**

- Business and Professional Income Statement of Business Activities
- Request for Income Tax Deduction on non-employment income
- Statement of Real Estate Rentals
- Statement of Employment Expenses
- Worksheet for Calculating 2000 Instalment Payments
- Declaration of Conditions of Employment

# **THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS**

## **APPENDIX F**

### **HOW TO GET YOUR FREE BUSINESS PLAN TEMPLATE SOFTWARE**

**Users of this business kit can obtain a free copy of an interactive template for developing your own business plan by simply contacting Wayne Zielke Inc. at the address on the front cover and returning the business card attached to the back cover.**

The software , Adarus Business Plan(TM) version 2.0, Copyright (C) 1997-1998, Adarus Software, LLC, All Rights Reserved, is supplied by permission and was developed by Adarus Software LLC. This software was a runner up for a PC magazine shareware award, as published in the September 22, 1998 issue of that magazine. We believe that this is an excellent tool to assist the users of this kit to develop their own business plans. The version of the software we are providing is capable of preparing a cash flow projection for one year and has online assistance to help the user produce the reports that normally accompany business plans. For a full version capable of producing 5 year projections, at a cost of approximately \$US 60, or in the event that you require assistance with the software, please contact : Adarus Software, LLC

via email at, [support@adarus.com](mailto:support@adarus.com)

via mail to, 1289 N. Fordham Blvd. Suite 300A, Chapel Hill, NC 27514.

Or contact sales at; 1-888-933-8797 or [www.adarus.com](http://www.adarus.com)

#### **Description of Software:**

With this software you will be able to develop a professional business plan quickly and easily with the help of four step-by-step wizards (Sales, Expense, Asset/Loan, Business Plan). This Microsoft Excel Add-in and template creates all financial reports needed for a business plan such as the cash flow, income, balance sheet, break-even and financial ratios. A formatted business plan outline (title page, table of contents) is created in Microsoft Word. Adarus' One-Step tools (Print, Scenario, and Chart) are powerful, timesaving features.

#### **Requirements:**

The 32-bit version requires Windows 95 or Windows NT. Requires a Super VGA: Screen resolution of at least 800 by 600 pixels. Requires one of the following: Office 4.2, Office 95, or Office 97 including Microsoft Word and Excel.

## **Free Professional Review of Your Business Plan**



***THE ESSENTIAL GUIDE TO STARTING YOUR NEW BUSINESS***

**Once you have completed your business plan bring it into Wayne Zielke Inc. and we will conduct a complimentary review of your plan with you. This review will be limited to a maximum of 1.5 hours and cannot be honored in the months of March or April.**



**Attachments**

**Financial statements:** Balance sheet, income statement, and any notes. For taxation years ending in 2000 and later, use GIFI schedules 100, 125, and 141.  
**Schedules –** Answer the following questions. For each yes response, attach to the T2 return the Schedule that applies. \* We do not print these schedules.

**Guide item**

		Yes	No	Schedule
26	Is the corporation related to any other corporations? . . . . .	150	<input type="checkbox"/>	9
27	Does the corporation have any non-resident shareholders? . . . . .	151	<input type="checkbox"/>	19
28	Is the corporation an associated Canadian-controlled private corporation? . . . . .	160	<input type="checkbox"/>	23
29	Is the corporation an associated Canadian-controlled private corporation that is claiming the expenditure limit? . . . . .	161	<input type="checkbox"/>	49
31	Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's-length transactions with non-residents . . . . .	162	<input type="checkbox"/>	11
32	If you answered yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee? . . . . .	163	<input type="checkbox"/>	44
33	Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada? . . . . .	164	<input type="checkbox"/>	14
34	Is the corporation claiming a deduction for payments to a type of employee benefit plan? . . . . .	165	<input type="checkbox"/>	15
36	Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989? . . . . .	166	<input type="checkbox"/>	T5004
37	Is the corporation a member of a partnership for which a partnership identification number has been assigned? . . . . .	167	<input type="checkbox"/>	T5013
39	Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust? . . . . .	168	<input type="checkbox"/>	22
40	Did the corporation have any foreign affiliates during the year? . . . . .	169	<input type="checkbox"/>	25
41	Has the corporation made any payments to non-residents of Canada under subsections 202(1) and 105(1) of the federal <i>Income Tax Regulations</i> ? . . . . .	170	<input type="checkbox"/>	29
42	Has the corporation had any non-arm's-length transactions with a non-resident? . . . . .	171	<input type="checkbox"/>	T106
46	Has the corporation made payments to, or received amounts from a retirement compensation arrangement in the year? . . . . .	172	<input type="checkbox"/>	_____
45	Does the corporation (private corporations only) have any shareholders who own 10% or more of the corporation's common and/or preferred shares? . . . . .	173	<input type="checkbox"/>	50
52	Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes? . . . . .	201	<input type="checkbox"/>	1
75-78	Has the corporation made any charitable donations, gifts to Canada or a province, or gifts of cultural or ecological property? . . . . .	202	<input type="checkbox"/>	2
79,98	Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund? . . . . .	203	<input type="checkbox"/>	3
66-73	Is the corporation claiming any type of losses? . . . . .	204	<input type="checkbox"/>	4
122	Is the corporation claiming a provincial tax credit or does it have a permanent establishment in more than one jurisdiction? . . . . .	205	<input type="checkbox"/>	5
53	Has the corporation realized any capital gains or incurred any capital losses during the taxation year? . . . . .	206	<input type="checkbox"/>	6
92	(i) Is the corporation claiming the small business deduction and reporting income from: (a) property (other than dividends deductible on line 320 of the T2 return, (b) a partnership, (c) a foreign business, or (d) a personal services business; or (ii) is the corporation claiming the refundable portion of Part I tax? . . . . .	207	<input type="checkbox"/>	7
54	Does the corporation have any property that is eligible for capital cost allowance? . . . . .	208	<input type="checkbox"/>	8
55	Does the corporation have any property that is eligible capital property? . . . . .	210	<input type="checkbox"/>	10
56	Does the corporation have any resource-related deductions? . . . . .	212	<input type="checkbox"/>	12
57	Is the corporation claiming reserves of any kind? . . . . .	213	<input type="checkbox"/>	13
58	Is the corporation claiming a patronage dividend deduction? . . . . .	216	<input type="checkbox"/>	16
59	Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction? . . . . .	217	<input type="checkbox"/>	17
140	Is the corporation an investment corporation or a mutual fund corporation? . . . . .	218	<input type="checkbox"/>	18
121	Was the corporation carrying on business in Canada while not a Canadian corporation? . . . . .	220	<input type="checkbox"/>	20 *
107	Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits? . . . . .	221	<input type="checkbox"/>	21
145	Is the corporation a non-resident-owned investment corporation claiming an allowable refund? . . . . .	226	<input type="checkbox"/>	26 *
104	Does the corporation have any Canadian manufacturing and processing profits? . . . . .	227	<input type="checkbox"/>	27
110	Is the corporation claiming an investment tax credit? . . . . .	231	<input type="checkbox"/>	31
60	Is the corporation claiming any scientific research and experimental development expenditures? . . . . .	232	<input type="checkbox"/>	T661
115	Is the corporation subject to gross Part I.3 tax? . . . . .	233	<input type="checkbox"/>	33/34/35
115	Is the corporation a member of a related group with one or more members subject to gross Part I.3 tax? . . . . .	236	<input type="checkbox"/>	36
115	Is the corporation claiming a Part I.3 tax credit or a surtax credit? . . . . .	237	<input type="checkbox"/>	37
119	Is the corporation subject to gross Part VI tax on capital of financial institutions? . . . . .	238	<input type="checkbox"/>	38
119	Is the corporation claiming a Part VI tax credit or a Part I tax credit? . . . . .	242	<input type="checkbox"/>	42
120	Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid? . . . . .	243	<input type="checkbox"/>	43
120	Is the corporation agreeing to a transfer of the liability for Part VI.1 tax? . . . . .	244	<input type="checkbox"/>	45
116	Is the corporation subject to Part II – Tobacco Manufacturers' surtax? . . . . .	249	<input type="checkbox"/>	46
119	For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax? . . . . .	250	<input type="checkbox"/>	39
119	For life insurance corporations: Is the corporation a member of a related group of insurance corporations with one or more members subject to the additional gross Part VI tax? . . . . .	251	<input type="checkbox"/>	40
119	For deposit-taking institutions: Is the corporation a member of a related group of financial institutions (other than life insurance corporations) with one or more members subject to the additional Part VI tax? . . . . .	252	<input type="checkbox"/>	41
142	Is the corporation claiming a Canadian film or video production tax credit refund? . . . . .	253	<input type="checkbox"/>	T1131

**Additional information**

Is the corporation inactive? (item 47) ..... **280** 1 Yes  2 No

Has the major business activity changed since the last return was filed? (enter yes for first time filers) (item 48) ..... **281** 1 Yes  2 No

What is the corporation's major business activity? (item 49) ..... **282** \_\_\_\_\_  
 (Only complete if yes was entered at line 281.)

If the major activity involves the resale of goods, indicate whether it is wholesale or retail (item 50) ..... **283** 1 Wholesale  2 Retail

Specify the principal product(s) mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents. (item 51)

<b>284</b> _____	<b>285</b> _____ %
<b>286</b> _____	<b>287</b> _____ %
<b>288</b> _____	<b>289</b> _____ %

**Taxable income**

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL (item 74) ..... **300** \_\_\_\_\_

**Deduct:**

Charitable donations from Schedule 2 (item 75) .....	<b>311</b> _____
Gifts to Canada or a province from Schedule 2 (item 76) .....	<b>312</b> _____
Cultural gifts from Schedule 2 (item 77) .....	<b>313</b> _____
Ecological gifts from Schedule 2 (item 78) .....	<b>314</b> _____
Taxable dividends deductible under section 112, 113, or subsection 138(6) from Schedule 3 (item 79) .....	<b>320</b> _____
Part VI.1 tax deduction from Schedule 43 (item 80) .....	<b>325</b> _____
Non-capital losses of preceding taxation years from Schedule 4 (item 81) .....	<b>331</b> _____
Net-capital losses of preceding taxation years from Schedule 4 (item 82) .....	<b>332</b> _____
Restricted farm losses of preceding taxation years from Schedule 4 (item 83) ..	<b>333</b> _____
Farm losses of preceding taxation years from Schedule 4 (item 84) .....	<b>334</b> _____
Limited partnership losses of preceding taxation years from Schedule 4 (item 85)	<b>335</b> _____
Taxable capital gains or taxable dividends allocated from a central credit union (item 86) .....	<b>340</b> _____
Prospector's and grubstaker's shares (item 87) .....	<b>350</b> _____

Subtotal \_\_\_\_\_ **▶** \_\_\_\_\_

**Add:** Section 110.5 additions (item 88) .....

	<b>355</b> _____
--	------------------

**Taxable income** (item 89) ..... **360** \_\_\_\_\_

Income exempt under paragraph 149(1)(t) (item 90) ..... **370** \_\_\_\_\_

**Taxable income** for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370) (item 91) ..... **Z** \_\_\_\_\_

**Small business deduction**

**Canadian-controlled private corporations throughout the taxation year**

Income from active business carried on in Canada from Schedule 7 (item 92) .....	<b>400</b> _____	A
Taxable income from line 360 or amount Z above, whichever applies, <b>minus</b> 10/3 of the amount that would be deductible at line 632*, and 10/4 of line 636 on page 5, and <b>minus</b> any amount that, because of federal law is exempt from Part I tax (item 93) .....	<b>405</b> _____	B
Business limit (for associated corporations, enter business limit from Schedule 23) (item 94) .....	<b>410</b> _____	C

**Reduction to business limit:** (item 95)

Amount C _____ x <b>415</b> ** _____ D = _____ E
<b>420</b> _____ 11,250

Reduced business limit (amount C minus amount E) (if negative, enter "0") ..... **425** \_\_\_\_\_ F

**Small business deduction** – 16% of the least of amounts A, B, C, and F ..... **430** \_\_\_\_\_ G

(Enter amount G on line 9 on page 5)

\* Calculate the amount of foreign non-business income tax credit deductible at line 632 without reference to the refundable tax on CCPC's investment income (line 604).

\*\* **Large corporation tax for preceding year** – Enter the total gross Part I.3 tax for the corporation for its preceding taxation year, before deducting the surtax credits, increased to reflect a full-year tax liability if the previous year is less than 51 weeks. For associated corporations, see Schedule 23 for the special rules that apply.

**Refundable portion of Part I tax (item 96)**

**Canadian-controlled private corporations throughout the taxation year**

Aggregate investment income . . . **440** \_\_\_\_\_ x 26 2/3 % = \_\_\_\_\_ **A**  
 (Amount P from Part 1 of Schedule 7)

Foreign non-business income tax credit from line 632 on page 5 . . . \_\_\_\_\_

**Deduct:**  
 Foreign investment income . . . . . **445** \_\_\_\_\_ x 9 1/3 % = \_\_\_\_\_  
 (Amount O from Part 1 of Schedule 7) (if negative, enter "0") \_\_\_\_\_ **B**

Amount A minus amount B (if negative, enter "0") . . . . . \_\_\_\_\_ **C**

Taxable income from line 360 on page 3 . . . . . \_\_\_\_\_

**Deduct:**  
 Least of amounts on lines 400, 405, 410, and 425 on page 3 \_\_\_\_\_  
 Foreign non-business income tax credit from line 632 on page 5 . . . . . \_\_\_\_\_ x 25/9 = \_\_\_\_\_  
 Foreign business income tax credit from line 636 on page 5 . . . . . \_\_\_\_\_ x 10/4 = \_\_\_\_\_  
 \_\_\_\_\_ x 26 2/3 % = \_\_\_\_\_ **D**

Part I tax payable minus investment tax credit refund (line 700 minus line 780 on page 6) \_\_\_\_\_  
**Deduct** corporate surtax from line 600 on page 5 . . . . . \_\_\_\_\_ **E**  
 Net amount . . . . . \_\_\_\_\_

**Refundable portion of Part I tax** – The least of amounts C, D, and E . . . . . **450** \_\_\_\_\_ **F**

**Refundable dividend tax on hand (item 97)**

Refundable dividend tax on hand at the end of the preceding taxation year . . . . . **460** \_\_\_\_\_  
**Deduct** dividend refund for the previous taxation year . . . . . **465** \_\_\_\_\_ **A**

**Add** the total of:  
 Refundable portion of Part I tax from line 450 above . . . . . \_\_\_\_\_  
 Total Part IV tax payable from line 360 on page 2 of Schedule 3 . . . . . \_\_\_\_\_  
 Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation . . . . . **480** \_\_\_\_\_ **B**

**Refundable dividend tax on hand at the end of the taxation year** – Amount A plus amount B . . . . . **485** \_\_\_\_\_

**Dividend refund (item 98)**

**Private and subject corporations at the time taxable dividends were paid in the taxation year**

Taxable dividends paid in the taxation year from line 460 on page 2 of Schedule 3 . . . . . \_\_\_\_\_ x 1/3 \_\_\_\_\_ **A**

Refundable dividend tax on hand at the end of the taxation year from line 485 above . . . . . \_\_\_\_\_ **B**

**Dividend refund** – Lesser of amounts A and B (enter this amount on line 784 on page 6) . . . . . \_\_\_\_\_

**Part I tax**

**Base amount of Part I tax** – 38% of taxable income (line 360 or amount Z, whichever applies) from page 3 (item 99) . . . . **550** \_\_\_\_\_ A

**Corporate surtax calculation** (item 100)

Base amount from line A above . . . . . \_\_\_\_\_ 1

**Deduct:**

10% of taxable income (line 360 or amount Z, whichever applies) from page 3 . . . . . \_\_\_\_\_ 2

Investment corporation deduction from line 620 below . . . . . \_\_\_\_\_ 3

Federal logging tax credit from line 640 below . . . . . \_\_\_\_\_ 4

Federal qualifying environmental trust tax credit from line 648 below . . . . . \_\_\_\_\_ 5

For a mutual fund corporation or an investment corporation throughout the taxation year, enter the least of a, b, and c below on line 6:

28% of taxable income from line 360 on page 3 . . . . . \_\_\_\_\_ a

28% of taxed capital gains . . . . . \_\_\_\_\_ b

Part I tax otherwise payable . . . . . \_\_\_\_\_ c

(Line A **plus** lines C and D **minus** line F)

Total of lines 2 to 6 . . . . . \_\_\_\_\_ 7

Net amount (line 1 minus line 7) . . . . . \_\_\_\_\_ 8

**Corporate surtax** – 4% of the amount on line 8 . . . . . **600** \_\_\_\_\_ B

Recapture of investment tax credit (item 101) . . . . . **602** \_\_\_\_\_ C

**Calculation for the refundable tax on Canadian-controlled private corporation's investment income**  
(for a CCPC throughout the taxation year) (item 102)

Aggregate investment income from line 440 on page 4 . . . . . \_\_\_\_\_ i

Taxable income from line 360 on page 3 . . . . . \_\_\_\_\_

**Deduct:**

The least of amounts on lines 400, 405, 410, and 425 on page 3 . . . . . \_\_\_\_\_

Net amount . . . . . \_\_\_\_\_ **▶** \_\_\_\_\_ ii

**Refundable tax on CCPC's investment income** – 6 2/3 % of the lesser of amounts i or ii . . . . . **604** \_\_\_\_\_ D

Subtotal (add lines A, B, C, and D) \_\_\_\_\_ E

**Deduct:**

Small business deduction from line 430 on page 3 . . . . . \_\_\_\_\_ 9

Federal tax abatement (item 103) . . . . . **608** \_\_\_\_\_

Manufacturing and processing profits deduction from amount BB or amount VV of Schedule 27 (item 104) . . . . . **616** \_\_\_\_\_

Investment corporation deduction (item 105) . . . . . **620** \_\_\_\_\_

(Taxed capital gains **624** \_\_\_\_\_ )

Additional deduction – credit unions from Schedule 17 (item 106) . . . . . **628** \_\_\_\_\_

Federal foreign non-business income tax credit from Schedule 21 (item 107) . . . . . **632** \_\_\_\_\_

Federal foreign business income tax credit from Schedule 21 (item 107) . . . . . **636** \_\_\_\_\_

Federal logging tax credit from Schedule 21 (item 107) . . . . . **640** \_\_\_\_\_

Federal political contribution tax credit (item 108) . . . . . **644** \_\_\_\_\_

Federal political contributions **646** \_\_\_\_\_

Federal qualifying environmental trust tax credit (item 109) . . . . . **648** \_\_\_\_\_

Investment tax credit from Schedule 31 (item 110) . . . . . **652** \_\_\_\_\_

Part VI tax credit from Schedule 42 (item 111) . . . . . **656** \_\_\_\_\_

Part I.3 tax credit from Schedule 37 (item 112) . . . . . **660** \_\_\_\_\_

Subtotal \_\_\_\_\_ **▶** \_\_\_\_\_ F

**Part I tax payable** – Line E minus line F (enter amount G on line 700 on page 6) (item 113) . . . . . \_\_\_\_\_ G

**Summary of tax and credits**

**Federal tax**

Part I tax payable from page 5 (item 114) .....	<b>700</b>	_____
Part I.3 tax payable from Schedule 33, 34, or 35 (item 115) .....	<b>704</b>	_____
Part II surtax payable from Schedule 46 (item 116) .....	<b>708</b>	_____
Part IV tax payable from Schedule 3 (item 117) .....	<b>712</b>	_____
Part IV.1 tax payable from Schedule 43 (item 118) .....	<b>716</b>	_____
Part VI tax payable from Schedule 38 (item 119) .....	<b>720</b>	_____
Part VI.1 tax payable from Schedule 43 (item 120) .....	<b>724</b>	_____
Part XIV tax payable from Schedule 20 (item 121) .....	<b>728</b>	_____
Total federal tax		_____

**Add provincial and territorial tax:**

Provincial or territorial jurisdiction (item 122) **750** \_\_\_\_\_  
 (if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial and territorial tax payable (except Quebec, Ontario, and Alberta) (item 123) **760** \_\_\_\_\_

Provincial tax on large corporations (New Brunswick and Nova Scotia) (item 137) ..... **765** \_\_\_\_\_

---

Total tax payable **770** \_\_\_\_\_ **A**

**Deduct other credits:**

Investment tax credit refund from Schedule 31 (item 138) ..... **780** \_\_\_\_\_

Dividend refund from page 4 (item 139) ..... **784** \_\_\_\_\_

Federal capital gains refund from Schedule 18 (item 140) ..... **788** \_\_\_\_\_

Federal qualifying environmental trust tax credit refund (item 141) ..... **792** \_\_\_\_\_

Canadian film or video production tax credit refund from Form T1131 (item 142) ..... **796** \_\_\_\_\_

Film or video production services tax credit refund from Form T1177 (item 143) ..... **797** \_\_\_\_\_

Tax withheld at source (item 144) ..... **800** \_\_\_\_\_

Total payments on which tax has been withheld (item 144) **801** \_\_\_\_\_

Allowable refund for non-resident-owned investment corporations from Schedule 26 (item 145) ..... **804** \_\_\_\_\_

Provincial and territorial capital gains refund from Schedule 18 (item 146) ..... **808** \_\_\_\_\_

Provincial and territorial refundable tax credits from Schedule 5 (item 147) ..... **812** \_\_\_\_\_

Royalties deductible under Syncrude Remission Order (item 148) **815** \_\_\_\_\_


Tax remitted under Syncrude Remission Order (item 148) ..... **816** \_\_\_\_\_

Tax instalments paid (item 149) ..... **840** \_\_\_\_\_

Total credits **890** \_\_\_\_\_ **B**

Refund code (item 150) **894**  Overpayment (item 153) \_\_\_\_\_

Balance (line A minus line B) \_\_\_\_\_

 **Direct Deposit Request** (item 154) \_\_\_\_\_

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

Start  Change information **910** \_\_\_\_\_  
 Branch number

**914** \_\_\_\_\_ **918** \_\_\_\_\_  
 Institution number Account number

If the result is negative, you have an **overpayment**.  
 If the result is positive, you have a **balance unpaid**.  
 Enter the amount on whichever line applies.  
 We do not charge or refund a difference of less than \$2.

Balance unpaid (item 153) \_\_\_\_\_

Enclosed payment (item 152) **898** \_\_\_\_\_

If the corporation is a Canadian-controlled private corporation throughout the taxation year, does it qualify for the one month extension of the date the balance of tax is due? (item 151) ..... **896** 1 Yes  2 No

**Certification** (item 155)

I, **950** \_\_\_\_\_ **951** \_\_\_\_\_ **954** \_\_\_\_\_  
 Surname in block letters First name in block letters Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this taxation year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

**955** \_\_\_\_\_ **956** \_\_\_\_\_  
 Date (yyyy/mm/dd) Signature of an authorized signing officer of the corporation Telephone number

Is the contact person the same as the authorized signing officer? If *no*, complete the information below ..... **957** 1 Yes  2 No

**958** \_\_\_\_\_ **959** \_\_\_\_\_  
 Name in block letters Telephone number

**Language of correspondence – Langue de correspondance** (item 156)

**990** Please indicate the language of your choice. 1 English / Anglais  2 Français / French   
 Indiquer la langue de correspondance de votre choix.





<b>A5 GST/HST information</b>	
Do you plan to sell or provide goods or services in Canada? If <b>no</b> , you <b>cannot</b> register for GST/HST. If you <b>export</b> , you may be deemed to be selling or providing goods or services in Canada. See our pamphlet for details.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Will your annual <b>worldwide</b> GST/HST taxable sales (including those of any associates) be more than \$30,000, or \$50,000 if you are a public service body? Are you a non-resident who solicits orders in Canada for prescribed goods to be sent by mail or courier and whose worldwide GST/HST taxable sales will be more than \$30,000? Prescribed goods include printed materials such as books, newspapers, periodicals, and magazines.	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes to either of the above questions, you <b>must</b> register for GST/HST.	
Do you operate a taxi or limousine service? Are you a non-resident who charges admission directly to audiences at activities or events in Canada? If <b>yes</b> to either of the above, you <b>must</b> register for GST/HST, even if your worldwide GST/HST taxable sales will be \$30,000 or less.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Are all the goods or services you sell or provide exempt from GST/HST? If <b>yes</b> , you <b>cannot</b> register for GST/HST. See our pamphlet for an explanation of exempt goods and services.	
Do you wish to register voluntarily? See our pamphlet for more information.	
Yes <input type="checkbox"/> No <input type="checkbox"/>	

**Part B – GST/HST account information**  
Complete sections B1 to B5 if you need a BN GST/HST account.

Do you want us to send you GST/HST information?  Yes  No

<b>B1 GST/HST account identification</b> (Check box <input type="checkbox"/> if same as in Part A1 on page 1.)			
Mailing address for GST/HST purposes	c/o	Account name (enter name to which we should address correspondence.)	
	Address		
			Postal or zip code
Contact person (If you choose to name a contact for your account, see our pamphlet for more information.)		Language	
First name	Last name	<input type="checkbox"/> English <input type="checkbox"/> French	
Title	Telephone number (     )	Fax number (     )	

<b>B2 Filing information</b>		
Enter the fiscal year-end of your business.		
	<input type="text"/> Month	<input type="text"/> Day
Estimate your annual GST/HST taxable sales in Canada (including those of any associates in Canada).		Enter the effective date of registration for GST/HST purposes.
<input type="checkbox"/> \$30,000 or less	<input type="checkbox"/> more than \$500,000 to \$1,000,000	<input type="text"/> Year <input type="text"/> Month <input type="text"/> Day
<input type="checkbox"/> more than \$30,000 to \$200,000	<input type="checkbox"/> more than \$1,000,000 to \$6,000,000	
<input type="checkbox"/> more than \$200,000 to \$500,000	<input type="checkbox"/> more than \$6,000,000	

<b>B3 Election respecting your reporting period</b>	
If your estimated total annual GST/HST taxable sales and revenues are \$500,000 or less, you will be assigned an <b>annual reporting period</b> . If your estimated total annual GST/HST sales and revenues are more than \$500,000 to \$6,000,000, you will be assigned a <b>quarterly reporting period</b> . If you have more than \$6,000,000 in taxable sales and revenues, you <b>must</b> file monthly. If you wish to file more frequently than your assigned period, please check one of the following boxes: <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly You cannot elect to file less frequently than your assigned reporting period.	

<b>B4 Type of operation</b>					
01 <input type="checkbox"/> Government, municipality	02 <input type="checkbox"/> Registered charity (provide your registration no.)	03 <input type="checkbox"/> Qualifying non-profit organization	04 <input type="checkbox"/> Listed financial institution	05 <input type="checkbox"/> University, school board, hospital	
06 <input type="checkbox"/> Joint venture operator (not a partnership)	07 <input type="checkbox"/> Non-resident who charges admission directly to spectators or attendees	08 <input type="checkbox"/> Non-resident who carries on commercial activities in Canada	09 <input type="checkbox"/> Taxi or limousine operator	99 <input type="checkbox"/> None of the above	

<b>B5 Province or territory</b> (Check the boxes below to indicate the provinces or territories in which you carry on commercial activities or maintain a permanent establishment.)								
	<b>Commercial activity</b>	<b>Permanent establishment</b>	<b>Commercial activity</b>	<b>Permanent establishment</b>	<b>Commercial activity</b>	<b>Permanent establishment</b>	<b>Commercial activity</b>	<b>Permanent establishment</b>
	Alberta <input type="checkbox"/>	<input type="checkbox"/>	New Brunswick <input type="checkbox"/>	<input type="checkbox"/>	Nova Scotia <input type="checkbox"/>	<input type="checkbox"/>	Quebec <input type="checkbox"/>	<input type="checkbox"/>
	British Columbia <input type="checkbox"/>	<input type="checkbox"/>	Newfoundland <input type="checkbox"/>	<input type="checkbox"/>	Ontario <input type="checkbox"/>	<input type="checkbox"/>	Saskatchewan <input type="checkbox"/>	<input type="checkbox"/>
	Manitoba <input type="checkbox"/>	<input type="checkbox"/>	Northwest Territories <input type="checkbox"/>	<input type="checkbox"/>	Prince Edward Island <input type="checkbox"/>	<input type="checkbox"/>	Yukon Territory <input type="checkbox"/>	<input type="checkbox"/>

**Part C**  
**Payroll deductions account information** – Complete C1 and C2 if you need a BN payroll deductions account.

Do you want us to send you payroll deductions information?      Yes  No

**C1 Payroll deductions account identification.** (Check box  if same as in Part A1 on page 1.)

Account name		
Address		
Postal or zip code		
Mailing address for payroll deductions	c/o	
	Address	
Postal or zip code		
Contact person (If you choose to name a contact for your account, see our pamphlet for more information.)		
First name	Last name	
Language <input type="checkbox"/> English <input type="checkbox"/> French		
Title	Telephone number (    )	Fax number (    )

**C2 General information** (Please complete this area so that we can send you the information you need.)

a) Type of payment  
 Payroll     Registered retirement savings plan  
 Registered retirement income fund     Other (specify) \_\_\_\_\_

b) How often will you pay your employees or payees? Please check the pay period(s) that apply.  
 Daily     Weekly     Bi-weekly     Semi-monthly  
 Monthly     Annually     Other (specify) \_\_\_\_\_

c) Will you use your own computer program for payroll purposes?     No     Yes    If yes, do you need our payroll formulas?     No     Yes

d) Do you use a payroll service bureau?     No     Yes    If yes, which one? (enter name) \_\_\_\_\_

e) Do you want to receive a copy of the Payroll Deductions Tables?     No     Yes  
If yes, select one of the following.     paper     Windows diskette     DOS diskette

f) When will you make the first payment to your employees or payees?    

Year				Month		Day	

g) What is the maximum number of employees you expect to have working for you at any time in the next 12 months? \_\_\_\_\_

h) Duration of business operation     Year round     Seasonal  
If seasonal, please check month(s) of operation.    

J	F	M	A	M	J	J	A	S	O	N	D
---	---	---	---	---	---	---	---	---	---	---	---

i) If the business is a corporation, is the corporation a subsidiary or an affiliate of a foreign corporation?     No     Yes    If yes, enter country \_\_\_\_\_

j) Are you a franchisee?     No     Yes    If yes, enter the name and country of the franchisor \_\_\_\_\_



# BUSINESS CONSENT FORM

This form authorizes Revenue Canada to release confidential client information to a designated third party representative in matters pertaining to applicable legislation. **Note: This authorization is valid until the client or authorized signing person cancels it in writing. Please complete a separate form for each representative. (Instructions on reverse)**

The purpose of this form is:

**To authorize** a third party representative    **OR**     **To cancel** a third party representative

**1. Client identification**

Name \_\_\_\_\_

Indicate one of the following:

**Business Number (BN) for:**

All accounts ..... \_\_\_\_\_  
 or Specific program account type ..... \_\_\_\_\_  
 or Specific account ..... \_\_\_\_\_

**Other Clients:**

or Employer remittance account number ..... \_\_\_\_\_  
 or Corporation account number ..... \_\_\_\_\_  
 or Trust account number ..... T \_\_\_\_\_  
 or Filer identification number ..... HA \_\_\_\_\_

**2. Authorized third party identification**

Authorized individual's name \_\_\_\_\_

Authorized firm's name \_\_\_\_\_

**3. Details of authorization**

Indicate period for which authorization or cancellation applies:

All years (tick "✓" box)

or  
 Specific year(s) \_\_\_\_\_  
 (if calendar year-end, enter year only) \_\_\_\_\_

or  
 All years prior to \_\_\_\_\_  
 (if calendar year-end, enter year only) \_\_\_\_\_

**4. Authorized signature (client or authorized signing officer)**

\_\_\_\_\_  
 Signature of client or authorized signing officer

\_\_\_\_\_  
 Title

( \_\_\_\_\_ )  
 Telephone number

Date signed \_\_\_\_\_

**We will not accept this form unless it is signed.**

## Instructions

Use this form to authorize or cancel authorization for third party access to account information. Tick "✓" the applicable box to start or cancel authorization. Authorization or cancellation of authorization will not be effective until Revenue Canada receives this form.

### 1. Client identification

#### Name

Enter name of business (first and last name of individual or partners, or name of corporation).

#### Business Number (BN) clients

**All accounts:** Enter the business number (e.g., 12345 6789) on this line to provide authorized third party access to **ALL** BN accounts that have been, or will be opened for your business (except GST accounts administered by the ministère du Revenu du Québec) for the period of time indicated in the "Details of authorization" area until such authorization is cancelled. **or**

**Specific program account type:** Enter the business number and account type (e.g., 12345 6789 RP) on this line to provide authorized third party access to **ALL** accounts that have been, or will be opened in that program account type for the period of time indicated in the "Details of authorization" area until such authorization is cancelled. The program account types are:

**RC** – corporate income tax; **RM** – importer/exporter; **RP** – payroll deductions; or **RT** – goods and services tax (except GST accounts administered by the ministère du Revenu du Québec). **or**

**Specific account:** Enter the business number, account type and identifier (e.g., 12345 6789 RP0001) on this line to provide authorized third party access to that account for the period of time indicated in the "Details of authorization" area until such authorization is cancelled.

#### Other clients

Enter the number of the account for which you wish to provide third party authorization for any of the following:

- Employer remittance account number,
- Corporation account number,
- Trust account number, or
- Filer identification number.

### 2. Authorized third party identification

**Authorized individual's name:** Enter the name of the person to whom authorization is to be provided (only this person will be provided access to information) **or**

**Authorized firm's name:** Enter the name of the firm to which authorization is to be provided (all persons within this firm will be provided access to information) **or**

Enter both an individual's name and a firm's name. Only that individual employed at that firm will be provided access to information.

### 3. Details of authorization

**All years:** Tick "✓" this box to allow access to the account information for the current and all past and future years.

**Specific years:** Enter a specific calendar year or years for which access is to be provided (e.g., 1991 and 1992) or you may enter a specific period or periods (e.g., 1992 03 31, and 1993 03 31) for Corporate or GST accounts only.

**All years prior to:** Enter the last year for which a third party may access information. By entering a date in this area, you will allow a third party to access information for that year and all prior years (e.g., 1992/12/31 will allow a third party access to information for all years prior to and including December 31, 1992).

### 4. Authorized signature

**Signature:** We will accept only the signature of the client (sole proprietor, partner, officer or director) or authorized signing officer. **WE WILL NOT ACCEPT AN UNSIGNED FORM.**

**Title:** Enter the title of the individual whose signature appears on the form.

**Telephone number:** Enter the telephone number where we can contact the client or authorized signing officer.

**Date signed:** Enter the date that the form is signed.

## TAX CALCULATION SUPPLEMENTARY – CORPORATIONS (1997 and later taxation years)

Name of corporation	Account / business number	Taxation year end						
		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; border-bottom: 1px solid black;">Day</td> <td style="width: 33%; border-bottom: 1px solid black;">Month</td> <td style="width: 33%; border-bottom: 1px solid black;">Year</td> </tr> <tr> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> </tr> </table>	Day	Month	Year			
Day	Month	Year						

- Use this form for a corporation, that during the taxation year:
  - had a permanent establishment in more than one jurisdiction (if the corporation has no taxable income, complete only columns B and D); or
  - is claiming provincial and territorial tax credits or rebates (see reverse).
- Regulations mentioned on this form are from the *Income Tax Regulations*.
- For more information, see the *T2 Corporation Income Tax Guide*, items 92 to 103.

### Part 1

**Allocation of taxable income (Regulation 402).** If any of Regulations 403 to 413 apply, a separate calculation is required.

( **501**  For department use )

A	B	C	D	E	F	G	H
Jurisdiction	Total salaries and wages paid in jurisdiction	(B x taxable income) ÷ I	Gross revenue attributable to jurisdiction	(D x taxable income) ÷ J	Allocation of taxable income (C + E) x 1/2 <small>(Where either I or J is nil, do not multiply by 1/2)</small>	Rate %	Provincial or territorial tax payable before credits (F x G)
Nfld.	<b>503</b>		<b>533</b>				
P.E.I.	<b>505</b>		<b>535</b>				
N.S.	<b>507</b>		<b>537</b>				
N.B.	<b>509</b>		<b>539</b>				
Que.	<b>511</b>		<b>541</b>				
Ont.	<b>513</b>		<b>543</b>				
Man.	<b>515</b>		<b>545</b>				
Sask.	<b>517</b>		<b>547</b>				
Alta.	<b>519</b>		<b>549</b>				
B.C.	<b>521</b>		<b>551</b>				
Yukon	<b>523</b>		<b>553</b>				
N.W.T.	<b>525</b>		<b>555</b>				
N.S. Offshore	<b>508</b>		<b>538</b>				
Nfld. Offshore	<b>506</b>		<b>536</b>				
Other	<b>527</b>		<b>557</b>				
<b>Total</b>	<b>529</b>	I	<b>559</b>	J			K

Enter amount K on line 139 on page 7 of the T2 Return.

**Part 2**

**Provincial and territorial tax credits and rebates**

Total provincial and territorial foreign tax credits .....		<b>601</b>	_____
<b>Newfoundland</b>			
Newfoundland political contribution tax credit .....	<b>Contribution</b>	<b>602</b>	_____ <b>Credit</b> <b>603</b> _____
Newfoundland manufacturing and processing profits tax credit (from Form T1100) .....			<b>681</b> _____
<b>Prince Edward Island</b>			
Prince Edward Island political contribution tax credit .....	<b>Contribution</b>	<b>630</b>	_____ <b>Credit</b> <b>632</b> _____
Prince Edward Island corporate investment tax credit (from Form T1092) .....			<b>763</b> _____
Eligible expenditures .....		<b>760</b>	_____
Prince Edward Island manufacturing and processing profits tax credit (from Form T1091) .....			<b>682</b> _____
<b>Nova Scotia</b>			
Nova Scotia political contribution tax credit .....	<b>Contribution</b>	<b>616</b>	_____ <b>Credit</b> <b>612</b> _____
Nova Scotia corporate tax reduction for new small businesses (from Form T701) .....			<b>668</b> _____
Nova Scotia research and development tax credit (from Form T85) .....			<b>671</b> _____
Eligible expenditures .....		<b>670</b>	_____
Nova Scotia manufacturing and processing investment tax credit (from Form T1168) .....			<b>783</b> _____
Eligible expenditures .....		<b>780</b>	_____
Nova Scotia ISO 9000 certification tax credit .....			<b>613</b> _____
Nova Scotia ISO 14000 certification tax credit .....			<b>653</b> _____
Nova Scotia prospectus tax credit .....			<b>779</b> _____
<b>New Brunswick</b>			
New Brunswick political contribution tax credit .....	<b>Contribution</b>	<b>622</b>	_____ <b>Credit</b> <b>624</b> _____
New Brunswick research and development tax credit (from Form T1111) .....			<b>773</b> _____
Eligible expenditures .....		<b>770</b>	_____
<b>Manitoba</b>			
Manitoba political contribution tax credit .....	<b>Contribution</b>	<b>620</b>	_____ <b>Credit</b> <b>619</b> _____
Manitoba corporate tax reduction for new small businesses (from Form T800) – Amount of reduction. ....			<b>611</b> _____
Rate of reduction .....		<b>610</b>	_____ %
Manitoba manufacturing and processing tax credit (from Form T1089) .....			<b>753</b> _____
Eligible expenditures .....		<b>750</b>	_____
Manitoba research and development tax credit (from Form T1088) .....			<b>758</b> _____
Eligible expenditures .....		<b>755</b>	_____
<b>Saskatchewan</b>			
Saskatchewan royalty tax rebate (from Form T70) .....			<b>605</b> _____
Royalty tax rebate carry-forward from previous year .....		<b>614</b>	_____
Adjusted attributed Canadian royalties and taxes .....		<b>615</b>	_____
Saskatchewan venture capital tax credit .....			<b>637</b> _____
Total credit available (including carryforward of _____) .....		<b>636</b>	_____
Saskatchewan livestock investment tax credit .....			<b>639</b> _____
Total livestock investment tax credit carryforward from previous year .....		<b>638</b>	_____
Saskatchewan livestock facilities tax credit .....			<b>676</b> _____
Total livestock facilities tax credit carryforward from previous year .....		<b>678</b>	_____
Saskatchewan manufacturing and processing tax credit (from Form T1101) .....			<b>768</b> _____
Saskatchewan manufacturing and processing investment tax credit (from Form T1128) .....			<b>777</b> _____
Eligible expenditures .....		<b>765</b>	_____
<b>British Columbia</b>			
British Columbia political contribution tax credit .....	<b>Contribution</b>	<b>606</b>	_____ <b>Credit</b> <b>604</b> _____
British Columbia royalty and deemed income rebate (addition) (line 4 from Form T81) .....			<b>607</b> _____
British Columbia tax otherwise payable (line 3 from Form T81) .....		<b>617</b>	_____
British Columbia logging tax credit .....			<b>608</b> _____
British Columbia corporate tax reduction for new small businesses (line E from certificate FIN 562) .....			<b>654</b> _____
British Columbia small business venture capital tax credit .....			<b>644</b> _____
Total credit available (including carryforward of _____) .....		<b>642</b>	_____
<b>Yukon Territory</b>			
Yukon Territory political contribution tax credit .....	<b>Contribution</b>	<b>626</b>	_____ <b>Credit</b> <b>628</b> _____
Yukon manufacturing and processing profits tax credit (from Form T572) .....			<b>634</b> _____
<b>Northwest Territories</b>			
Northwest Territories political contribution tax credit .....	<b>Contribution</b>	<b>648</b>	_____ <b>Credit</b> <b>609</b> _____
<b>Total provincial and territorial tax credits and rebates</b> (enter on line 141 on page 7 of T2 return) .....			_____

## CAPITAL COST ALLOWANCE

For more information, see the section called "Capital Cost Allowance" in the *T2 Corporation Income Tax Guide*.

Name of corporation	Account / Business Number	Taxation year-end		
		Day	Month	Year

1 Class number	2 Undepreciated capital cost at the beginning of the year (column 11 from last year's T2S(8))	3 Cost of acquisitions during the year (new property must be available for use)  Note 1	4 Adjustments (show negative amounts in brackets)  Note 2	5 Proceeds of dispositions during the year (amount not to exceed the capital cost)	6 Undepreciated capital cost (column 2 plus column 3 plus or minus column 4 minus column 5)	7 50% rule (deduct 1/2 of the amount, if any, by which the net cost of acquisitions exceeds column 5)  Note 3	8 Reduced undepreciated capital cost (column 6 minus column 7)	9 CCA rate %	10 Capital cost allowance (column 8 multiplied by column 9; or a lower amount)  Note 4	11 Undepreciated capital cost at the end of the year (column 6 minus column 10)
<b>Total</b>										

Note 1. Include any property acquired in previous years that has now become available for use. This property would have been previously excluded from column 3. List separately any acquisitions that are not subject to the 50% rule, see Regulation 1100(2) and (2.2).

Note 2. In addition to other adjustments, include as negative adjustments any GST input tax credits or rebates claimed in the year for property acquired, and include as positive adjustments any amounts repaid in the year for GST input tax credits previously deducted.

Note 3. The net cost of acquisitions is the cost of acquisitions plus or minus the adjustments from column 4, except for investment tax credits the corporation claimed in the previous taxation year.

Note 4. If the taxation year is shorter than 365 days, prorate the CCA claim. See the T2 Guide for more information.





## CUMULATIVE ELIGIBLE CAPITAL DEDUCTION

Name of corporation	Account / Business Number	Taxation year-end Day   Month   Year
---------------------	---------------------------	---

- For use by a corporation that has eligible capital property. For more information, see the *T2 Corporation Income Tax Guide*.
- A separate cumulative eligible capital account must be kept for each business.

### BOX 1 – CALCULATION OF CURRENT YEAR DEDUCTION AND CARRY-FORWARD

Cumulative eligible capital – balance at beginning of taxation year (if negative, enter nil) .....	_____	A
Add: Cost of eligible capital property acquired during the taxation year * .....	_____ X 3/4 = _____	B
Subtotal (amount A <b>plus</b> amount B)	_____	C
Deduct: Proceeds of sale (less outlays and expenses) from the disposition of an eligible capital property during the taxation year .....	_____ D	
The gross amount of a reduction in respect of a forgiven debt obligation as provided for in subsection 80(7) .....	_____ E	
Subtotal (amount D <b>plus</b> amount E)	_____ X 3/4 = _____	F
Cumulative eligible capital balance (amount C <b>minus</b> amount F) .....	_____	G
(If amount G is negative, enter nil at line I and proceed to BOX 2)		
Current year deduction .....	Amount G _____ X 7% = _____	H
(Deduct amount H on Schedule T2S(1))		
Cumulative eligible capital balance at the end of the taxation year .....	_____	I
(Amount G <b>minus</b> amount H) (if negative, enter nil)		

\* The cost of eligible capital property acquired is to be reduced by the amount of any government assistance the taxpayer received or is entitled to receive in respect of the expenditure and to be increased by the amount of the repayment of such assistance.

### BOX 2 – AMOUNT TO BE INCLUDED IN INCOME ARISING FROM DISPOSITION

(Complete this box only if the amount at line G is negative)

Amount from line G above (show as a positive amount) .....	_____	J
Deduct: Total cumulative eligible capital deductions claimed for taxation years commencing before July 1, 1988 .....	_____ 1	
Less:		
Negative balances in the cumulative eligible capital account that were included in income for taxation years commencing before July 1, 1988 .....	_____ 2	
Line 1 <b>minus</b> line 2 .....	_____ X 1/2 = _____	K
(If negative, enter nil)		
Amount to be included in net income on Schedule T2S(1) .....	_____	
(Amount J <b>minus</b> amount K)		

## DÉDUCTION POUR MONTANT CUMULATIF DES IMMOBILISATIONS ADMISSIBLES

Raison sociale de la société	Numéro de compte/d'entreprise	Fin de l'année d'imposition			
		<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%; border-bottom: 1px solid black;">Jour</td> <td style="width:33%; border-bottom: 1px solid black;">Mois</td> <td style="width:33%; border-bottom: 1px solid black;">Année</td> </tr> </table>	Jour	Mois	Année
Jour	Mois	Année			

- À l'usage des sociétés qui ont des immobilisations admissibles. Pour plus de renseignements, reportez-vous au *Guide T2 – Déclaration de revenus des sociétés*.
- Un compte distinct pour le montant cumulatif des immobilisations admissibles doit être tenu pour chaque entreprise.

### PARTIE 1 – CALCUL DE LA DÉDUCTION POUR L'ANNÉE EN COURS ET CALCUL DU REPORT

Montant cumulatif des immobilisations admissibles – solde au début de l'année d'imposition (si le montant est négatif, inscrire zéro) .....	_____	X 3/4 =		_____	A
Plus: Coût des immobilisations admissibles acquises pendant l'année d'imposition * .....	_____			_____	B
Total partiel (montant A <b>plus</b> montant B)				_____	C
Moins: Produit de disposition des immobilisations admissibles (moins les débours et dépenses) effectuée dans l'année d'imposition .....	_____		D		
Le montant brut de la réduction relative au montant remis sur la dette selon le paragraphe 80(7) .....	_____		E		
Total partiel (montant D <b>plus</b> montant E)				_____	F
Solde du montant cumulatif des immobilisations admissibles (montant C <b>moins</b> montant F)				_____	G
(Si le montant G est négatif, inscrire zéro à la ligne I et passer à la PARTIE 2.)					
Déduction pour l'année .....	Montant G _____		X 7% =	_____	H
(Déduire le montant H sur le relevé T2S(1).)					
Solde du montant cumulatif des immobilisations admissibles à la fin de l'année d'imposition (montant G <b>moins</b> montant H) (si le montant est négatif, inscrire zéro.)				_____	I

\* Le coût des immobilisations admissibles acquises sera réduit du montant de toute aide gouvernementale que le contribuable a reçu ou est en droit de recevoir à l'égard de la dépense et sera augmenté du montant, provenant d'une telle aide, qui a été remboursé.

### PARTIE 2 – MONTANT À INCLURE DANS LE REVENU PROVENANT DE LA DISPOSITION (Compléter cette partie seulement si le montant G est négatif)

Montant G ci-dessus (indiquer comme si le montant était positif) .....	_____			_____	J
Moins: Total des déductions pour montant cumulatif des immobilisations admissibles demandées pour les années d'imposition commençant avant le 1 <sup>er</sup> juillet 1988 .....	_____	1			
Moins: Soldes négatifs du compte du montant cumulatif des immobilisations admissibles qui ont été inclus dans le revenu pour les années d'imposition commençant avant le 1 <sup>er</sup> juillet 1988 .....	_____	2			
Montant 1 <b>moins</b> montant 2				_____	K
(si le montant est négatif, inscrire zéro)					
Montant à inclure dans le revenu net sur le relevé T2S(1) (montant J <b>moins</b> montant K)				_____	



**Area B - Taxable dividends paid in the year for the purposes of a dividend refund**

For more information on Area B, see the section called "Dividend Refund" in the *T2 Corporation Income Tax Guide*.

	Before July 1, 1995	After June 30, 1995
Total dividends paid in the year * .....	_____   (1)	_____   (1)
Deduct:		
Dividends paid out of capital dividend account .....	_____	_____
Capital gains dividends .....	_____	_____
Dividends paid on shares described in subsection 129(1.2) .....	_____	_____
Taxable dividends paid to a controlling corporation that was bankrupt at any time in the year .....	_____	_____
Deemed dividends paid on a small business development bond .....	_____	_____
Subtotal .....	_____   (2)	_____   (2)
<b>Taxable dividends paid for the purposes of the dividend refund</b> (Amount at line 1 minus line 2) .....	<u>_____   (A)</u>	<u>_____   (B)</u>

Enter amount A on line 414 and amount B on line 424 on page 7 of the T2 return.

- \* a) Exclude the portion of a winding-up dividend that is deemed by subparagraph 88(2)(b)(ii) not to be a dividend.
- b) Include any amount paid under a "securities lending arrangement," as defined in subsection 260(1), or by or to a registered securities dealer as compensation for a dividend on a share that is considered under subsection 260(5), (6), (6.1) and (7) to be a taxable dividend received.

**SUMMARY OF DISPOSITIONS OF CAPITAL PROPERTY (1998 and later taxation years)**

Name of corporation	Business Number	Taxation year end		
		Year	Month	Day

- For use by corporations that have disposed of capital property or claimed an allowable business investment loss, or both, in the taxation year.
- Use this schedule to make a designation under paragraph 111(4)(e) of the federal *Income Tax Act*, if control of the corporation has been acquired by a person or group of persons.
- If more space is needed, attach additional schedules.

For more information, see the section called "Summary of Dispositions of Capital Property" in the *T2 Corporation Income Tax Guide*.

**Designation under paragraph 111(4)(e) of the *Income Tax Act***  
 Are any dispositions shown on this schedule related to deemed dispositions designated under paragraph 111(4)(e)?

**050** 1 Yes  2 No  If yes, attach a statement specifying which properties are subject to such a designation.

<b>1</b> Types of capital property	<b>2</b> Date of acquisition YYYY/MM/DD	<b>3</b> Proceeds of disposition	<b>4</b> Adjusted cost base	<b>5</b> Outlays and expenses (dispositions)	<b>6</b> Gain (or loss) (col. 3 less cols. 4 and 5)
---------------------------------------	---	--	-----------------------------------	--	---

**Part 1 – Shares**

No. of shares <b>100</b>	Name of corporation <b>105</b>	Class of shares <b>106</b>	<b>110</b>	<b>120</b>	<b>130</b>	<b>140</b>	Gain (or loss) <b>150</b>
1.							
2.							
3.							
4.							
5.							

Totals 



**A**

**Part 2 – Real estate – Do not include losses on depreciable property.**

Municipal address <b>200</b>	<b>210</b>	<b>220</b>	<b>230</b>	<b>240</b>	Gain (or loss) <b>250</b>
1.					
2.					
3.					
4.					
5.					

Totals 



**B**

**Part 3 – Bonds**

Face value <b>300</b>	Maturity date <b>305</b>	Name of issuer <b>307</b>	<b>310</b>	<b>320</b>	<b>330</b>	<b>340</b>	Gain (or loss) <b>350</b>
1.							
2.							
3.							
4.							
5.							

Totals 



**C**

<b>1</b> Types of capital property	<b>2</b> Date of acquisition YYYY/MM/DD	<b>3</b> Proceeds of disposition	<b>4</b> Adjusted cost base	<b>5</b> Outlays and expenses (dispositions)	<b>6</b> Gain (or loss) (col. 3 less cols. 4 and 5)
---------------------------------------	---	--	-----------------------------------	--	---

**Part 4 – Other properties** – Do not include losses on depreciable property.

Description <b>400</b>	<b>410</b>	<b>420</b>	<b>430</b>	<b>440</b>	Gain (or loss) <b>450</b>
1.					
2.					
3.					
4.					
5.					

Totals					
--------	--	--	--	--	--

**Part 5 – Personal-use property**

Description <b>500</b>	<b>510</b>	<b>520</b>	<b>530</b>	<b>540</b>	Gain only <b>550</b>
1.					
2.					
3.					
4.					

**Note:** Losses are not deductible.

Totals					
--------	--	--	--	--	--

**Part 6 – Listed personal property**

Description <b>600</b>	<b>610</b>	<b>620</b>	<b>630</b>	<b>640</b>	Gain (or loss) <b>650</b>
1.					
2.					
3.					
4.					

**Note**

Net listed personal property losses may only be applied against listed personal property gains.

Totals					
--------	--	--	--	--	--

**Subtract:** Unapplied listed personal property losses from other years **655**

Amount from line 655 is from line 530 in Part 5 of Schedule 4. Net gain or (loss) \_\_\_\_\_

**Capital gains dividends** ..... **875**

**Determining total capital gain or loss**

Total of amounts A to F, plus line 875 (if amount F is a net loss, do not include it) \_\_\_\_\_

**Add:** Amount (if any) of capital gain reserve opening balance from Schedule 13 ..... **880**

Subtotal \_\_\_\_\_

**Deduct:** Amount (if any) of capital gain reserve closing balance from Schedule 13 ..... **885**

**Minus:** **Total capital gain (loss)** **890**

Gain on donations of a share, debt obligation, or right listed on a prescribed stock exchange and amounts under paragraph 38(a.1) of the Act (for donations made after February 18, 1997, and before the year 2002 to charities other than private foundations) \_\_\_\_\_ divided by 2 = **895**

Line 890 minus line 895 \_\_\_\_\_

If line 890 minus line 895 is negative, include it as an amount of capital losses at line 210 of Schedule 4.

**Determining taxable capital gains**

If line 890 minus line 895 is positive, calculate 75% of this amount ..... **Taxable capital gains** \_\_\_\_\_

Include taxable capital gains at line 113 of Schedule 1.

**Part 7 – Property qualifying for and resulting in an allowable business investment loss**

Name of small business corporation <b>900</b>	Shares, enter 1; debt, enter 2 <b>905</b>	Date of acquisition YYYY/MM/DD <b>910</b>	Proceeds of disposition <b>920</b>	Adjusted cost base <b>930</b>	Outlays and expenses (dispositions) <b>940</b>	(Loss) (col. 920 less cols. 930 and 940) <b>950</b>
1.						
2.						
3.						
4.						

**Note**

Properties listed in Part 7 should not be included in any other parts of Schedule 6.

Totals					
--------	--	--	--	--	--

**Determining allowable business investment loss**

Line O \_\_\_\_\_ multiplied by 75% = ..... **Allowable business investment loss** \_\_\_\_\_

Enter amount P at line 406 of Schedule 1.

## CALCULATION OF AGGREGATE INVESTMENT INCOME AND ACTIVE BUSINESS INCOME

Name of corporation	Account / Business Number	Taxation year end						
		<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%; border-bottom: 1px solid black;">Day</td> <td style="width:33%; border-bottom: 1px solid black;">Month</td> <td style="width:33%; border-bottom: 1px solid black;">Year</td> </tr> <tr> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> </tr> </table>	Day	Month	Year			
Day	Month	Year						

Use this form for Canadian-controlled private corporations to calculate:

- aggregate investment income and foreign investment income for the purpose of determining the refundable portion of Part I tax, as defined in subsection 129(4) of the federal *Income Tax Act* for taxation years ending after June 1995;
- income from an active business carried on in Canada for the small business deduction for taxation years ending after June 1995 (complete reverse); and
- specified partnership income for members of a partnership(s) for taxation years ending after 1994 (complete reverse).

For more information, see the sections called "Small Business Deduction" and "Refundable Portion of Part 1 Tax" in the *T2 Corporation Income Tax Guide*.

<b>Aggregate and foreign investment income calculation</b>		Foreign investment income	Aggregate investment income	
The eligible portion of taxable capital gains included in income for the year				A
	Eligible portion of allowable capital losses for the year (including allowable business investment losses)			B
	Net capital losses claimed at line 125 on page 3 of the T2 return			C
Total of amounts B and C				D
Amount A <b>minus</b> amount D (if negative, enter nil)				E
Total income from property (include income from a specified investment business carried on in Canada other than income from a source outside Canada)				F
	Exempt income			G
	Amounts received from NISA Fund No. 2 that was included in computing the corporation's income for the year			H
	Taxable dividends deductible from T2S(3) after deducting related expenses *			I
	Business income (loss) from an interest in a trust that is considered property income under paragraph 108(5)(a) of the <i>Income Tax Act</i> *			J
Total of amounts G, H, I, and J				K
Amount F <b>minus</b> amount K				L
Total of amount E <b>plus</b> amount L				M
Total losses from property (include losses from a specified investment business carried on in Canada other than a loss from a source outside Canada)				N
Amount M <b>minus</b> amount N (if negative, enter nil)		R	S	

\* If negative, enter amount in brackets, and add instead of subtract.

Enter amount R, foreign investment income, on line 249 on page 4 of the T2 return.

Enter amount S, aggregate investment income, on line 247 on page 4 of the T2 return.



**Specified partnership income**

Complete the following calculations for each partnership ending in the taxation year of the corporation. Where a partnership has more than one fiscal period ending in the corporation's taxation year, combine the results of the fiscal periods before the calculation below is done. If required, use additional schedules to calculate amount E for each partnership. If the total of amount C is negative, the corporation does not have to complete the calculations – the net adjustment (line M) will be nil.

	Partnership 1 identification number	Partnership 2 identification number	Total of all Partnerships
Total income (loss) of the partnership from an active business carried on in Canada (as determined under Division B, subdivision j of the <i>Income Tax Act</i> )	_____ A	_____ A	_____ A
Corporation's share of amount A	_____ B	_____ B	_____ B
<b>Add</b> any reserve deducted under subsection 34.2(4) for the preceding taxation year	_____	_____	_____
<b>Subtotal</b>	_____	_____	_____
<b>Deduct</b> expenses the corporation deducted to earn this partnership income (including any reserve under subsection 34.2(4) for the year in respect of "December 31, 1995 income" from that partnership)	_____	_____	_____
Corporation's income (loss) from the partnership (the total of all negative amounts make up the specified partnership loss, enter at line G)	_____ C	_____ C	_____ C
Amount B * / Amount A	_____	_____	_____
x \$200,000 ** =	_____ D	_____ D	_____ D
Lesser of amounts C and D *	_____ E	_____ E	_____ E
<b>Add to the "total of all partnerships" column, the lesser of:</b>			
i) the corporation's losses for the year from an active business carried on in Canada (other than as a member of a partnership) – enter as a positive amount	_____	_____ F	_____
<b>Plus</b>			
the specified partnership loss of the corporation for the year - enter as a positive amount (total of all negative amounts C)	_____	_____ G	_____
ii) amount C <b>minus</b> amount D – if negative, enter nil (if a member of more than one partnership, calculate separately for each partnership and enter total)	_____	_____ H	_____ I
<b>Specified partnership income</b> (amount E <b>plus</b> amount I)	_____	_____	_____ J

\* If negative, enter nil.  
 \*\* If the total number of days in all of the fiscal periods of the partnership that end in the corporation's taxation year is less than 365 days, do not use \$200,000. Instead, multiply \$548 by the total number of the days in all of the partnership's fiscal periods that end in the corporation's taxation year. Do a separate calculation for each partnership.

**Net adjustment for partnership income**

Corporation's share of partnership income from active businesses carried on in Canada after deducting related expenses – amount C from the total of all partnerships column above (if the net amount is negative, enter nil on line M)	_____	_____ K
<b>Add:</b> Specified partnership loss (amount G from above)	_____	_____
<b>Subtotal</b>	_____	_____ L
<b>Deduct:</b> Specified partnership income (amount J from above)	_____	_____ M
<b>Net adjustment for partnership income</b> (enter on line P below)	_____	_____

**Income from active business carried on in Canada**

Net income for income tax purposes from line 111 of the T2 return	_____	_____ N
<b>Deduct:</b> Foreign business income after deducting related expenses *	_____	_____
Taxable capital gains minus allowable capital losses * (amount A <b>minus</b> amount B from page one)	_____	_____
Net property income – from page one, amount F <b>minus</b> amounts G, H, and N *	_____	_____ O
Personal services business income after deducting related expenses *	_____	_____
<b>Net amount</b>	_____	_____
<b>Deduct</b> net adjustment for partnership income (amount M from above)	_____	_____ P
<b>Income from active business carried on in Canada</b> (enter on line 223 on page 3 of the T2 return) – if negative, enter nil	_____	_____ Q

\* If negative, enter amount in brackets, and add instead of subtract.

## Calculation of Canadian Manufacturing and Processing Profits

Name of corporation	Account number	Taxation year-end Day    Month    Year															
	<table style="margin: auto; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> </tr> </table>													<table style="margin: auto; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> <td style="border: 1px solid black; width: 15px; height: 15px;"></td> </tr> </table>			

- Small manufacturing corporations that meet requirements (a) through (d) in Area A of this schedule should complete Area A only. All other corporations should complete Area B.
- Note: Income that is eligible for the small business deduction is not eligible for the manufacturing and processing profits deduction.
- Sections, subsections, and paragraphs referred to in this schedule are found in the *Income Tax Act*.
- Reference: Interpretation Bulletin IT-145R, *Canadian Manufacturing and Processing Profits - Reduced Rate of Corporate Tax*
- Notes and definitions to help you complete this schedule are on page 4.
- Subparagraphs 125.1(3)(b)(vi), (vi.1), and (vi.2) have been amended to include the processing of foreign ore as a manufacturing & processing activity. This amendment applies to 1990 and later taxation years.

### Area A – Small manufacturing corporations

See notes 1 through 6 on page 4.

To qualify as a small manufacturer, the corporation has to meet all of the following requirements:

- (a) its activities during the year were primarily manufacturing or processing in Canada of goods for sale or lease;
- (b) the following calculation totals \$200,000 or less:

<ul style="list-style-type: none"> <li>• active business income <b>minus</b> active business losses of the corporation for the year (this includes the corporation's share of active business income and active business loss for the fiscal period of each partnership of which the corporation was a member at any time in its year (see note (i) below)) . . . . .</li> </ul>	(1) _____	
<ul style="list-style-type: none"> <li>• <b>add</b> the active business <b>income</b> for the taxation year of each Canadian corporation with which the corporation was associated in the year (see note (ii) below) . . . . .</li> </ul>	+ _____	
<b>Total</b>	<table style="margin: auto; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; width: 100px;"></td> </tr> </table>	

- (c) it was not engaged at any time during the year in the processing of foreign ore or in any activities that are excluded from manufacturing and processing by subparagraphs 125.1(3)(b)(i) to (ix) (e.g., farming, fishing, logging, construction, or resource income); and
- (d) the corporation did not carry out any active business outside Canada at any time during the year.

**If the corporation meets requirements (a) through (d), its Canadian manufacturing and processing profits are equal to line 1 above. Enter this amount on line 233 of the T2 return.**

If the corporation does not meet requirements (a) through (d), complete Area B on page 2.

#### Partnerships and associated corporations – additional information

Please provide the following information (if it applies) on a separate schedule attached to this form:

- (i) for partnerships, give the name, partnership identification number, and total income or loss from each active business of each partnership of which the corporation was a member at any time in its taxation year; and
- (ii) for associated corporations, give the name, account number, and total income from each active business for the taxation year of each Canadian corporation with which the corporation was associated in the year.

**Area B – Corporations that do not qualify as small manufacturers**

**MP – Canadian manufacturing and processing profits**

$$\text{ADJUBI (Schedule 1)} \times \frac{\text{(MC (Schedule 3))} + \text{ML (Schedule 5)}}{\text{(C (Schedule 2))} + \text{L (Schedule 4)}} = \text{MP}$$

Enter amount MP on line 233 of the T2 return.

**Schedule 1 ADJUBI – Calculation of adjusted business income**

See notes 1, 3, and 5 on page 4.

Active business income **minus** active business losses of the corporation for the year (this includes the corporation's share of active business income and active business loss for the fiscal period of each partnership of which the corporation was a member at any time in its year (see note (i) in Area A))

**Deduct:** Net resource income from Schedule 6

Adjusted business income – to Area B (if negative, enter nil) **(ADJUBI)**

**Schedule 2 C – Calculation of cost of capital**

See notes 3, 5, 7, 8, and 12 on page 4.

Add: (a) Gross cost of the following property that was owned by the corporation at the end of the year and was used by it at any time during the year:

- depreciable assets eligible for capital cost allowance under Schedule II of the Regulations
- timber limits and cutting rights (other than a timber resource property)
- immovable wood assets (class 15)
- industrial mineral mines
- capital expenditures for scientific research and experimental development
- Part XVII assets

X 10%

(b) Rental cost for the use of property, which would be included in (a) if it were owned by the corporation at the end of the year

(c) The corporation's share of the amounts that would be determined under (a) and (b) for a partnership of which the corporation was a member at any time in the year, if one were to substitute the word "partnership" for "corporation" and "its fiscal period" for "the year"

Cost of capital – to Area B and Schedule 3 **(C)**

**Schedule 3 MC – Calculation of cost of manufacturing and processing capital**

See notes 3, 5, 7, and 12 on page 4.

Amount C from Schedule 2 **(X)**

The portion of amount (X) that reflects the extent to which each property was used directly in qualified activities of the corporation during the year or in qualified activities of a partnership for the fiscal period of a partnership of which the corporation was a member at any time in the year **(Y)**

Cost of manufacturing & processing capital – to Area B =  $\frac{100}{85}$  of amount (Y) **(MC)** \*

\* not to exceed amount (X)

### Schedule 4 L – Calculation of cost of labour

See notes 3, 5, 7, 9, 10, and 12 on page 4.

(a) Salaries and wages paid or payable to all employees for services performed during the year .....		
<b>Deduct:</b> Salaries and wages included above that were:		
(A) included in the gross cost of property (Schedule 2) other than property manufactured & leased during the year to other persons .....		
(B) related to an active business carried on outside Canada .....		
(C) related to activities engaged in for the purpose of earning resource profits as defined in section 1204 of the Regulations .....		
(D) included in the corporation's Canadian or foreign exploration & development expenses .....		
<b>Add:</b> Salaries & wages referred to in (a) less the deductions in (A) to (D) for the fiscal period of a partnership of which the corporation was a member at any time in its year – corporation's share (attach calculation) .....		
Subtotal – salaries and wages – to Schedule 5 (line 3) .....	(1)	
(b) Amounts paid or payable for the performance during the year by non-employees of functions relating to:		
(A) management and administration .....		
(B) scientific research and experimental development .....		
(C) any service or function normally performed by employees of the corporation .....		
<b>Deduct:</b> Amounts included above that were:		
(D) included in the gross cost of property (Schedule 2), other than property manufactured by the corporation and leased during the year to other persons .....		
(E) related to an active business carried on outside Canada .....		
(F) related to activities engaged in for the purpose of earning resource profits as defined in section 1204 of the Regulations .....		
(G) included in the corporation's Canadian or foreign exploration and development expenses .....		
<b>Add:</b> Amounts referred to in (b) less the deductions in (D) to (G) for the fiscal period of a partnership of which the corporation was a member at any time in its year – corporation's share (attach calculation) .....		
Subtotal – other payments – to Schedule 5 (line 4) .....	(2)	
Cost of labour (line 1 + line 2) – to Area B .....	(L)	

### Schedule 5 ML – Calculation of cost of manufacturing and processing labour

See notes 3, 5, 7, and 12 on page 4.

(a) Portion of salaries & wages (from line 1, Schedule 4) that was paid or payable to employees for the time they were directly engaged in qualified activities of the corporation during the year or of the partnership during its fiscal period .....		
	(3)	
<b>Add:</b> (b) Portion of other payments (from line 2, Schedule 4) that was paid or payable to non-employees for performing functions that would be directly related to qualified activities of the corporation during the year or of the partnership during its fiscal period, if they had been employees of the corporation or partnership .....		
	(4)	
	<b>Total</b>	
	<b>(ML)</b>	
Cost of manufacturing & processing labour – to Area B = $\frac{100}{75}$ of Total .....	(ML)	

\* not to exceed amount L (from schedule 4).

### Schedule 6 – Calculation of net resource income

(for corporations with resource activities)

See notes 5, 7, 11, and 12 on page 4.

Resource profits as defined in section 1204 of the Regulations for the year of the corporation (including its share of resource profits as a member of a partnership pursuant to subsection 1206(3) of the Regulations) .....		
<b>Add:</b> Amounts (net of amounts deducted pursuant to repealed section 64, if applicable*) included in income pursuant to section 59** (including its share of such amounts as a member of a partnership) .....		
<b>Deduct:</b> Amounts deducted by the corporation pursuant to section 65* .....		
The corporation's income from the processing of foreign ore (subject to transitional measures) .....		
Net resource income – to Schedule 1 .....		

\* other than amounts that were deducted in calculating resource profits  
 \*\* other than amounts that were included in calculating resource profits

## Notes and definitions to help you complete this schedule

1. **Active business** means any business carried on by a resident of Canada other than a specified investment business or a personal services business.
2. **Active business income of an associated corporation** includes its share of the active business income for the fiscal period of a partnership of which it was a member at any time in the year.
3. **Fiscal period of a partnership** refers to the period coinciding with or ending in the taxation year of the corporation.
4. **Taxation year of an associated corporation** means any taxation year which coincides with or ends in the taxation year of the corporation completing this schedule.
5. **Year** means the taxation year of the corporation completing this schedule.
6. The term **associated** has the meaning given by section 256. See Guide Item 21 of the *1991 T2 Corporation Income Tax Guide*.
7. For 1990 and later years, costs for eligible foreign ore processing will be included in the cost of capital and the cost of labour for the corporation, and will therefore also be included in the cost of manufacturing and processing capital and in the cost of manufacturing and processing labour.
8. To determine the cost of capital, where a property was used during the year:
  - (a) in an active business carried on outside Canada;
  - (b) to earn Canadian or foreign investment income as defined in subsection 129(4) (assuming that the subsection applies also to partnerships);
  - (c) in activities that earn resource profits as defined in section 1204 of the Regulations; or
  - (d) in activities referred to in subparagraphs 66(15)(b)(i), (ii) or (v), subparagraphs 66(15)(e)(i) or (ii), subparagraphs 66.1(6)(a)(i), (ii), (iii) or (v) or subparagraphs 66.2(5)(a)(i),(ii) or (v);
 that portion of the gross cost or rental cost reflecting the extent the property was so used by the corporation or the partnership (Regulation 5204) must be excluded from the gross cost or rental cost.
9. Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expense, and Canadian development expenses are defined in paragraphs 66(15)(b) and (e), paragraph 66.1(6)(a), and paragraph 66.2(5)(a) respectively. The corporation's Canadian or foreign exploration and development expenses include the share of the Canadian or foreign exploration and development expenses incurred by a partnership only if the corporation was a member of that partnership at the end of the partnership's fiscal period.
10. Salaries and wages paid or payable to employees or amounts paid or payable to non-employees by a partnership that are included in its Canadian or foreign exploration and development expenses will be excluded from the calculation of the partnership's "Cost of labour" only if these exploration and development expenses can be included in the corporate partner's exploration and development expenses (see note 9 above).
11. Regulation 5203 provides that a corporation's income from the processing of foreign ore be excluded from its net resource income (NRI) for the year. Transitional measures provide that the amount of income excluded from a corporation's NRI will be equal to a specified percentage of the excess of its foreign ore processing income for the year over its earned depletion base at the end of the year. The specified percentage is 10% effective January 1, 1990, and rises in 10% increments each year to 100%, effective January 1, 1999. If a taxation year of a corporation straddles two calendar years, prorate the specified percentage based on the number of days in each calendar year.
12. The following terms are defined in the *Income Tax Regulations*:

Term	Income Tax Regulation
– Gross cost	5202 and 5204
– Net resource income	5203(3)
– Qualified activities	5202
– Rental cost	5202
– Resource activities	5203(2)
– Salaries and wages	5202
– Scientific research & experimental development	2900(1)



For the year ending December 31, 20\_\_\_\_  
 Pour l'année se terminant le 31 décembre 20\_\_\_\_

**SUMMARY OF REMUNERATION PAID / SOMMAIRE DE LA RÉMUNÉRATION PAYÉE**

See the information on the back of this form.  
 Lisez les renseignements au verso de ce formulaire.  
 You have to file the T4 return on or before the last day of February. Vous devez produire votre déclaration T4 au plus tard le dernier jour de février.

98  Federal Youth Hires Program / Programme fédéral pour l'embauche de jeunes travailleurs  
 Tick this box if you are part of an associated group of employers under the Federal Youth Hires Program, and attach a completed Form RC104.  
 Cochez cette case si vous faites partie d'un groupe d'employeurs associés aux fins du Programme fédéral pour l'embauche de jeunes travailleurs et joignez un formulaire RC104 dûment rempli.

88 Total number of T4 slips filed – Nombre total de feuillets T4 produits

14 Employment income – Revenus d'emploi

20 Registered pension plan (RPP) contributions / Cotisations à un régime de pension agréé (RPA)

52 Pension adjustment – Facteur d'équivalence

Indicate how many T4 slips are for employees whose addresses are in the U.S.A.  
 Indiquez le nombre de feuillets T4 émis pour des employés dont l'adresse est aux É.-U.

Business Number – Numéro d'entreprise

R P

Name and address of employer – Nom et adresse de l'employeur

16 Employee's CPP contributions – Cotisations de l'employé au RPC

27 Employer's CPP contributions – Cotisations de l'employeur au RPC

18 Employee's EI premiums – Cotisations de l'employé à l'AE

19 Employer's EI premiums – Cotisations de l'employeur à l'AE

22 Income tax deducted – Impôt sur le revenu retenu

80 Total deductions reported (16 + 27 + 18 + 19 + 22) / Total des retenues déclarées (16 + 27 + 18 + 19 + 22)

82 Minus: remittances – Moins : versements

Do not use this area – N'inscrivez rien ici

Last to current / Précédente à courante: 90 1 X 2 X 3 X

Other / Autre: 3 X

Pro Forma: 91 1 X 2 X

93 Y - A | D - J

PD15-1: 94 X

POF / PSF: 96 X

NLFP / APPT: 97 X

Memo – Note

Prepared by – Établi par

Date

We do not charge or refund a difference of less than \$2. / Nous n'exigeons ni ne remboursons une différence inférieure à 2 \$.

Difference – Différence

84 Overpayment – Paiement en trop

86 Balance due – Solde à payer

Amount enclosed – Montant joint

74 Canadian-controlled private corporations or unincorporated employers / Sociétés privées sous contrôle canadien ou employeurs non constitués

75 SIN of the proprietor(s) or principal owner(s) – NAS du ou des propriétaires

76 Person to contact about this return – Personne avec qui communiquer au sujet de cette déclaration

78 Area code / Indicatif régional

Telephone number / Numéro de téléphone

Extension / Poste

**Certification – Attestation**

I certify that the information given in this T4 return (T4 Summary and related T4 slips) is, to the best of my knowledge, correct and complete.  
 J'atteste que les renseignements fournis dans cette déclaration T4 (le formulaire T4 Sommaire et les feuillets T4 connexes) sont, à ma connaissance, exacts et complets.

Date

Signature of authorized person – Signature d'une personne autorisée

Position or office – Titre ou poste



**If you file your T4 return on tape or diskette, you do not need to complete this form.** For more information, see the guide called *Computer Specifications for Data Filed on Magnetic Media – T4, T4A, and T4A-NR*.

**Complete this return using the instructions in the employers' guide called *Filing T4 and T4F slips and Summary forms*.**

The employer's name and Business Number have to be the same as shown on your PD7A remittance form.

If you have not paid the total deductions reported, include the balance with this completed return. If you have a balance owing, you may have to pay a late-payment penalty.

If your return has more than 200 slips, complete a T4 Segment form.

**Make a copy of this form for your records.**

Send this form and copy 1 of the related T4 slips to:

Ottawa Technology Centre  
875 Heron Road  
Ottawa ON K1A 1G9

**Si vous produisez votre déclaration T4 sur disquette ou sur bande, vous n'avez pas à remplir ce formulaire.** Pour obtenir plus de renseignements, consultez le guide intitulé *Spécifications informatiques pour les déclarations produites sur support magnétique – T4, T4A et T4A-NR*.

**Vous devez remplir cette déclaration selon les instructions du guide de l'employeur intitulé *Comment établir les feuillets T4 et T4F et les formulaires Sommaire*.**

Le nom et le numéro d'entreprise de l'employeur doivent être les mêmes que ceux qui figurent sur le formulaire de versement PD7A.

Si vous n'avez pas payé le montant total des retenues déclarées, veuillez joindre le solde à payer à cette déclaration. Tout solde à payer peut être assujéti à une pénalité pour paiement tardif.

Pour les déclarations renfermant plus de 200 feuillets, remplissez le formulaire T4 *Segment*.

**Faites une copie de ce formulaire pour vos dossiers.**

Envoyez ce formulaire ainsi que la copie 1 des feuillets T4 connexes au :

Centre de technologie d'Ottawa  
875, chemin Heron  
Ottawa ON K1A 1G9



Please type or machine-print in capital letters. Dactylographiez ou imprimez vos données à la machine, en lettres majuscules.

Form sections: Information return for the year ended December 31, Filer identification number, Name of filer or nominee, Address, City - Ville, Province, Postal code - Code postal, Business Number, Have you filed a T5 information return before?, Indicate your language of choice for correspondence, Is this form preprinted with an incorrect address? If so, complete this area.

T5 slip totals - Totaux des feuillets T5

T5 slip totals section: Do not include amounts for which a T5 slip has not been issued. Fields for Actual amount of dividends, Taxable amount of dividends, Federal dividend tax credit, Interest from Canadian sources, Other income from Canadian sources, Foreign income, Foreign tax paid, Royalties from Canadian sources, Capital gains dividends, Accrued income: Annuities, Amount eligible for resource allowance deduction, Unclaimed amounts, Tax deducted from unclaimed amounts, Total number of T5 slips filed.

Person to contact about this information return: Name - Nom, Telephone number - Numéro de téléphone.

Certification - Attestation: I certify that the information given on this T5 Summary form and related T5 slips is, to the best of my knowledge, correct and complete. Authorized person's signature, Position or office, Date.



## Instructions

- **Please type or machine-print in capital letters.**
- You can find instructions and guidelines for preparing this form in the *T5 Guide – Return of Investment Income*. You can get a copy of the guide at your tax services office.
- If you make certain payments to a non-resident of Canada, the amounts should be reported on an NR4 Return. For more information, see the guide called the *Non-Resident Withholding Tax Guide*.
- If you file your information return on magnetic media, you do not have to file this form.
- If your T5 information return contains more than 100 T5 sheets (300 T5 slips), use the T5 Segment form.
- Send this form, and copy 1 of the related T5 slips, to:

Ottawa Technology Centre  
Canada Customs and Revenue Agency  
P.O. Box 9633, Station T  
Ottawa ON K1G 6H3

## Instructions

- **Dactylographiez ou imprimez vos données à la machine, en lettres majuscules.**
- Vous trouverez des instructions sur la façon de remplir ce formulaire dans le *Guide T5 – Déclaration des revenus de placements*. Vous pouvez vous en procurer un exemplaire à votre bureau des services fiscaux.
- Si vous faites certains paiements à un non-résidents du Canada, vous devez les déclarer dans une déclaration NR4. Pour obtenir plus de renseignements, lisez le guide intitulé *Guide sur la retenue d'impôt des non-résidents*.
- Si vous produisez votre déclaration de renseignements sur support magnétique, vous n'avez pas à remplir ce formulaire.
- Si votre déclaration de renseignements T5 renferme plus de 100 feuilles de feuillets T5 (plus de 300 feuillets), utilisez le formulaire T5 *Segment*.
- Envoyez ce formulaire et la copie 1 des feuillets T5 connexes au :

Centre de technologie d'Ottawa  
Agence des douanes et du revenu du Canada  
C.P. 9633, Succursale T  
Ottawa ON K1G 6H3.



Year

**T5**

STATEMENT OF INVESTMENT INCOME / ÉTAT DES REVENUS DE PLACEMENTS

Année

Dividends from Canadian corporations – Dividendes de sociétés canadiennes						
10 Actual amount of dividends Montant réel des dividendes	11 Taxable amount of dividends Montant imposable des dividendes	12 Federal dividend tax credit Crédit d'impôt fédéral pour dividendes	13 Interest from Canadian sources Intérêts de source canadienne	14 Other income from Canadian sources Autres revenus de source canadienne		
15 Foreign income Revenus étrangers	16 Foreign tax paid Impôt étranger payé	17 Royalties from Canadian sources Redevances de source canadienne	18 Capital gains dividends - Period 3 Dividendes sur gains en capital - Période 3	19 Accrued income: Annuities Revenus accumulés : Rentes		
40 Capital gains dividends - Period 1 Dividendes sur gains en capital - Période 1	41 Capital gains dividends - Period 2 Dividendes sur gains en capital - Période 2	VOID ANNULÉ	20 Amount eligible for resource allowance deduction Montant donnant droit à la déduction relative aux ressources	21 Report code Code du feuillet	22 Recipient identification number Numéro d'identification du bénéficiaire	23 Recipient type Type de bénéficiaire

Recipient's name (last name first) and address - Nom et prenom et adresse du bénéficiaire

Payer's name and address - Nom et adresse du payeur

Currency and identification codes / Codes de devise et d'identification

27 Foreign currency / Devises étrangères

28 Transit - Succursale

29 Recipient account / Numéro de compte du bénéficiaire

For information, see the back. / Pour obtenir des renseignements, lisez le verso.

T5 (00) 3636



Year

**T5**

STATEMENT OF INVESTMENT INCOME / ÉTAT DES REVENUS DE PLACEMENTS

Année

Dividends from Canadian corporations – Dividendes de sociétés canadiennes						
10 Actual amount of dividends Montant réel des dividendes	11 Taxable amount of dividends Montant imposable des dividendes	12 Federal dividend tax credit Crédit d'impôt fédéral pour dividendes	13 Interest from Canadian sources Intérêts de source canadienne	14 Other income from Canadian sources Autres revenus de source canadienne		
15 Foreign income Revenus étrangers	16 Foreign tax paid Impôt étranger payé	17 Royalties from Canadian sources Redevances de source canadienne	18 Capital gains dividends - Period 3 Dividendes sur gains en capital - Période 3	19 Accrued income: Annuities Revenus accumulés : Rentes		
40 Capital gains dividends - Period 1 Dividendes sur gains en capital - Période 1	41 Capital gains dividends - Period 2 Dividendes sur gains en capital - Période 2	VOID ANNULÉ	20 Amount eligible for resource allowance deduction Montant donnant droit à la déduction relative aux ressources	21 Report code Code du feuillet	22 Recipient identification number Numéro d'identification du bénéficiaire	23 Recipient type Type de bénéficiaire

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For information, see the back. / Pour obtenir des renseignements, lisez le verso.

T5 (00) 3636



Year

**T5**

STATEMENT OF INVESTMENT INCOME / ÉTAT DES REVENUS DE PLACEMENTS

Année

Dividends from Canadian corporations – Dividendes de sociétés canadiennes						
10 Actual amount of dividends Montant réel des dividendes	11 Taxable amount of dividends Montant imposable des dividendes	12 Federal dividend tax credit Crédit d'impôt fédéral pour dividendes	13 Interest from Canadian sources Intérêts de source canadienne	14 Other income from Canadian sources Autres revenus de source canadienne		
15 Foreign income Revenus étrangers	16 Foreign tax paid Impôt étranger payé	17 Royalties from Canadian sources Redevances de source canadienne	18 Capital gains dividends - Period 3 Dividendes sur gains en capital - Période 3	19 Accrued income: Annuities Revenus accumulés : Rentes		
40 Capital gains dividends - Period 1 Dividendes sur gains en capital - Période 1	41 Capital gains dividends - Period 2 Dividendes sur gains en capital - Période 2	VOID ANNULÉ	20 Amount eligible for resource allowance deduction Montant donnant droit à la déduction relative aux ressources	21 Report code Code du feuillet	22 Recipient identification number Numéro d'identification du bénéficiaire	23 Recipient type Type de bénéficiaire

Recipient's name (last name first) and address - Nom et prenom et adresse du bénéficiaire

Payer's name and address - Nom et adresse du payeur

Currency and identification codes / Codes de devise et d'identification

27 Foreign currency / Devises étrangères

28 Transit - Succursale

29 Recipient account / Numéro de compte du bénéficiaire

For information, see the back. / Pour obtenir des renseignements, lisez le verso.

T5 (00) 3636

If you are using this page for the recipient's copies, keep the bottom slip for your records. For information on how to complete this form, see the back.

Detach this part before filing your T5 information return.

Si vous la remplissez pour en remettre une copie au bénéficiaire, conservez la copie du bas pour vos dossiers. Les renseignements sur la façon de remplir ce formulaire se trouvent au verso. Détachez cette partie avant de nous soumettre votre déclaration de renseignements T5.

**Keep a copy of this slip for your records and attach the other copy to your income tax return.**

- See your tax guide for information on how to report your income.
- Under the *Income Tax Act*, you have to give your social insurance number (SIN) on request to any person who prepares an information slip for you. If your SIN is not shown on this slip, please contact the payer and provide it. If you do not have a SIN, you should apply for one through any Human Resources Centre of Canada.
- **Boxes 10, 11, and 12** – The amount an individual has to report as income is the amount shown in box 11. The federal dividend tax credit to which an individual is entitled is shown in box 12. For more information, see lines 120 and 425 in your tax guide.
- **Boxes 13, 14, and 15** – See line 121 in your tax guide for information on how to report these amounts on your return.
- **Box 16** – We use this amount to calculate your foreign tax credit. For more information, see lines 431 and 433 of your tax guide.
- **Box 17** – If royalties are from a work or invention, enter the amount on line 104 of your return. Otherwise, enter the amount on line 121 of your return.
- **Boxes 18, 40, and 41** – Enter the Box 18 amount (period 3: after October 17, 2000) as a capital gain on line 5667 of Part 3 of Schedule 3 provided with your return. Enter the Box 40 amount (period 1: January 1 to February 27, 2000) on line 291 of Part 1. Enter the Box 41 amount (period 2: February 28, 2000 to October 17, 2000) on line 174 of Part 2.
- **Box 19** – This amount is the earnings part of a general annuity. If you were 65 or older at the end of the year, or if you received the annuity payments because of the death of your spouse or common-law spouse, report this amount on line 115 of your return. Otherwise, enter this amount on line 121 of your return.
- **Box 20** – This amount is included in the total royalty payments in box 17. You may be able to claim 25% of the amount in box 20 as a resource allowance deduction on line 224 of your return. For more information, contact the General Enquiries section of your tax services office.
- **Box 21** – The code in this box indicates that this slip is the original ("0"), or that it is an amended slip ("1").
- **Box 22** – If you are an individual (other than a trust), the number in this box is your SIN. In all other cases, the number is your Business Number.
- **Box 23** – The code in this box indicates if the amount was paid to an individual ("1"); a joint account ("2"); a corporation ("3"); an association, trust, club, or other ("4"); or a government ("5").
- You may have to pay your taxes by instalments. For more information, contact the General Enquiries section of your tax services office.

**Conservez une copie de ce feuillet dans vos dossiers et joignez l'autre à votre déclaration de revenus.**

- Consultez votre guide d'impôt pour en savoir plus sur la façon de déclarer votre revenu.
- Selon la *Loi de l'impôt sur le revenu*, vous devez fournir, sur demande, votre numéro d'assurance sociale (NAS) à toute personne qui établit un feuillet de renseignements à votre nom. Si votre NAS ne paraît pas sur ce feuillet, communiquez avec le payeur pour le lui fournir. Si vous n'avez pas de NAS, vous devez en obtenir un auprès d'un Centre de ressources humaines du Canada.
- **Cases 10, 11 et 12** – Le montant qu'un particulier doit déclarer comme revenu est le montant de la case 11. Le crédit d'impôt fédéral pour dividendes auquel un particulier a droit figure dans la case 12. Pour en savoir plus, lisez les lignes 120 et 425 de votre guide d'impôt.
- **Cases 13, 14 et 15** – Lisez les renseignements à la ligne 121 de votre guide d'impôt pour savoir comment indiquer ces montants dans votre déclaration.
- **Case 16** – Ce montant sert à calculer votre crédit pour impôt étranger. Pour en savoir plus, lisez les lignes 431 et 433 de votre guide d'impôt.
- **Case 17** – Inscrivez les redevances sur un ouvrage ou une invention dont vous êtes l'auteur à la ligne 104 de votre déclaration. Inscrivez les autres redevances que vous touchez à la ligne 121.
- **Cases 18, 40 et 41** – Inscrivez le montant de la case 18 (période 3 : après le 17 octobre 2000) comme gain en capital à la ligne 5667 de la Partie 3 de l'annexe 3 qui accompagne votre déclaration. Inscrivez le montant de la case 40 (période 1 : du 1<sup>er</sup> janvier au 27 février 2000) à la ligne 291 de la Partie 1. Inscrivez le montant de la case 41 (période 2 : du 28 février au 17 octobre 2000) à la ligne 174 de la Partie 2.
- **Case 19** – Ce montant est la partie « revenu » des rentes ordinaires. Si vous aviez 65 ans ou plus à la fin de l'année, ou si vous avez reçu des paiements de rentes en raison du décès de votre conjoint ou conjoint de fait, déclarez ce montant à la ligne 115 de votre déclaration. Autrement, inscrivez-le à la ligne 121.
- **Case 20** – Ce montant est inclus dans les redevances indiquées à la case 17. Vous pouvez peut-être demander 25 % du montant indiqué à la case 20 comme déduction relative aux ressources, à la ligne 224 de votre déclaration. Pour en savoir plus, communiquez avec le Service de renseignements généraux de votre bureau des services fiscaux.
- **Case 21** – Le code dans cette case indique que ce feuillet est soit l'original (« 0 »), ou soit un feuillet modifié (« 1 »).
- **Case 22** – Si vous êtes un particulier (autre qu'une fiducie), inscrivez votre NAS. Dans tous les autres cas, inscrivez votre numéro d'entreprise.
- **Case 23** – Le code dans cette case indique si le montant a été payé à un particulier (« 1 »), à un compte en commun (« 2 »), à une société (« 3 »), à une association, une fiducie, un club ou autre (« 4 »), ou à un gouvernement (« 5 »).
- Il se peut que vous deviez payer votre impôt par acomptes provisionnels. Pour en savoir plus, communiquez avec le Service des renseignements généraux de votre bureau des services fiscaux.

**HOW TO COMPLETE THIS FORM**

You can use this form whether you file your information return on paper or on magnetic media.

**Filing on paper:** When you file on paper, print all Canada Customs and Revenue Agency (CCRA) copies on one form. Print the recipient's two copies on a separate form (see example below).

Vous pouvez utiliser ce formulaire que vous produisiez votre déclaration de renseignements sur papier ou sur support magnétique.

**Production sur papier :** Lorsque vous produisez votre déclaration sur papier, imprimez toutes les copies de l'Agence des douanes et du revenu du Canada (ADRC) sur un formulaire. Imprimez les copies du bénéficiaire sur un formulaire distinct (voir l'exemple ci-dessous).

<b>Example – Exemple</b>	CCRA copies Copies de l'ADRC	Recipient copies Copies du bénéficiaire	Recipient copies Copies du bénéficiaire	Recipient copies Copies du bénéficiaire												
	<table border="1"> <tr><td>Paul A.</td></tr> <tr><td>Max B.</td></tr> <tr><td>Marie C.</td></tr> </table>	Paul A.	Max B.	Marie C.	<table border="1"> <tr><td>Paul A.</td></tr> <tr><td>Paul A.</td></tr> <tr><td></td></tr> </table>	Paul A.	Paul A.		<table border="1"> <tr><td>Max B.</td></tr> <tr><td>Max B.</td></tr> <tr><td></td></tr> </table>	Max B.	Max B.		<table border="1"> <tr><td>Marie C.</td></tr> <tr><td>Marie C.</td></tr> <tr><td></td></tr> </table>	Marie C.	Marie C.	
Paul A.																
Max B.																
Marie C.																
Paul A.																
Paul A.																
Max B.																
Max B.																
Marie C.																
Marie C.																

**Filing on magnetic media:** When you file on magnetic media, print the recipient's two copies as indicated in the following example.

**Production sur support magnétique :** Lorsque vous produisez votre déclaration sur support magnétique, imprimez les deux copies du bénéficiaire tel qu'indiqué dans l'exemple suivant.

<b>Example – Exemple</b>	Recipient copies Copies du bénéficiaire	Recipient copies Copies du bénéficiaire	Recipient copies Copies du bénéficiaire									
<div style="border: 1px solid black; border-radius: 50%; padding: 10px; display: inline-block;">                 Copy 1 filed on magnetic media Copie 1 produite sur support magnétique             </div>	<table border="1"> <tr><td>Paul A.</td></tr> <tr><td>Paul A.</td></tr> <tr><td></td></tr> </table>	Paul A.	Paul A.		<table border="1"> <tr><td>Max B.</td></tr> <tr><td>Max B.</td></tr> <tr><td></td></tr> </table>	Max B.	Max B.		<table border="1"> <tr><td>Marie C.</td></tr> <tr><td>Marie C.</td></tr> <tr><td></td></tr> </table>	Marie C.	Marie C.	
Paul A.												
Paul A.												
Max B.												
Max B.												
Marie C.												
Marie C.												

**ELECTION FOR REPORTING PERIOD**  
(sections 246 to 248 of the *Excise Tax Act*)

Use this form to change your goods and services tax/harmonized sales tax (GST/HST) reporting period. To change a reporting period that was incorrectly assigned when you registered, contact your Revenue Canada tax services office.

Send the completed form to your tax services office.

For more information, see the back of this form.

A • Identification		
Complete legal name		Business Number
Trading name (if different from legal name)		
Mailing address		
City	Province	Postal code
Contact person	Title	Telephone number (      )

B • Eligibility		
<b>Step 1</b> Indicate your current reporting period. <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Annual		
<b>Note:</b> If you are a charity, go to section C. You can elect to use the reporting period of your choice.		
<b>Step 2</b> Indicate the fiscal year immediately preceding the fiscal year in which the election will be effective.		
<div style="display: flex; justify-content: space-between;"> <div style="text-align: center;">             Year    Month    Day  </div> <div style="font-size: 2em;">to</div> <div style="text-align: center;">             Year    Month    Day  </div> </div>		
<b>Step 3</b> Calculate your threshold amount for this election using actual revenues for the fiscal year stated above (see calculation on the back of this form).      \$ _____		
<b>Step 4</b> Indicate the category below which applies to your threshold amount. This will provide you with the reporting period options that are available to you.		
Threshold amount calculated	Reporting period assigned at time of registration	Reporting period options available
<input type="checkbox"/> \$500,000 or less	Annual	Annual, quarterly, or monthly
<input type="checkbox"/> More than \$500,000 but not more than \$6,000,000	Quarterly	Quarterly or monthly
<input type="checkbox"/> More than \$6,000,000	Monthly	Monthly

C • Election and Certification		
I meet the eligibility requirements and elect to adopt the following GST/HST reporting period: <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly <input type="checkbox"/> Annual		
Effective date of election (before entering this date, carefully read the sections "Effective date of election" and "Filing the election" on the back of this form).		
<div style="display: flex; justify-content: space-between;"> <div style="text-align: center;">             Year    Month    Day  </div> </div>		
I, _____, certify that the information given on this form is, to the best of my knowledge, true, correct, and complete in every respect, and that I am the registrant or that I am authorized to sign on behalf of the registrant.		
Signature of authorized person	Position or title	Year    Month    Day 

Personal information you provide on this form is protected under the provisions of the *Privacy Act* and is kept in Personal Information Bank RCC/P-PU-080.

## GENERAL INFORMATION

When you become a GST/HST registrant, we assign you a reporting period for filing your GST/HST returns. If you are a charity or an eligible listed financial institution as described in subparagraph 149(1)(a)(i) to (x) of the *Excise Tax Act*, we assign you an annual reporting period when you register. In all other cases, we assign the reporting period option that requires the least frequent filing of GST/HST returns available for your threshold amount (for example: if your threshold amount is \$500,000 or less, we will assign you an annual reporting period). The reporting period assigned to you will remain as your filing period until you elect to change it or your threshold amount exceeds the maximum for that reporting period. You can file an election on or before the day you become a registrant, and your elected reporting period can be effective on that day.

You are responsible for filing your GST/HST returns according to your correct reporting period. If your threshold amount is different from the taxable sales and revenues amount provided on your registration form and, as a result, an incorrect reporting period was assigned, please contact your tax services office so we can correct your reporting period. Do not file this election to change an incorrect reporting period.

The reporting period that we assign, or that you choose, applies to all branches and divisions that you may have.

### Eligibility

You can change your reporting period if the reporting period you choose is an available option based on your threshold amount.

If you are a charity, you can make an election to change your reporting period regardless of your threshold amount.

If you register as an eligible listed financial institution we will assign you an annual reporting period. An election for monthly or quarterly filing can be made pursuant to section 246 or 247 of the *Excise Tax Act*. However, once you make an election to report quarterly or monthly, you cannot revert back to an annual reporting period unless you meet the threshold amount for annual filing.

### Effective date of election

An election for a reporting period will take effect:

- on the day you become a registrant;
- on the first day of your fiscal year, if you are already a registrant; or
- on the first day of a fiscal quarter, if your election for annual filing ceases to be valid on the first day of that quarter (e.g., you exceed the \$500,000 threshold amount in your second or third quarter) and you are electing to file monthly instead of quarterly.

### Filing the election

You must file an election for a reporting period:

- on or before the effective date of the registration, when the election is to take effect on that day;
- no later than three months after the beginning of your fiscal year, if you are electing to change from quarterly to annual filing; or
- in all other cases, no later than two months after the day it is to take effect.

### Duration of election

The reporting period election remains in effect until:

- an election for a different reporting period takes effect; or
- your threshold amount for the fiscal year or a particular fiscal quarter in that year exceeds the maximum for the reporting period you have elected (this does not apply to charities).

#### Note

Your threshold amount for a **fiscal quarter** is the consideration for taxable supplies made in Canada (not including those for financial services, sales of capital real property, goodwill, and zero-rated exports) by you and your associates in all preceding fiscal quarters in that fiscal year.

### Definitions

**Associated persons** means for the purpose of this election:

- For a corporation: You and another corporation, if you are associated by reason of subsections 256(1) to (6) of the *Income Tax Act*.
- For a person (other than a corporation): You and a corporation, if you control the corporation or you are a member of a group that controls the corporation, and each member of that group is associated with each other member.
- You and a partnership, if the total of your share and the shares of all your associates is more than half of the total of the partnership's profits, if the partnership had profits.
- You and a trust, if the total value of your interest and all your associates interests in the trust is more than half the total value of all interests in the trust.
- You and any person, if you are each associated with the same third person.

**Charity** means for the purpose of this election:

A registered charity or registered Canadian amateur athletic association within the meaning assigned to those expressions by subsections 248(1) of the *Income Tax Act*, but does not include a public institution.

**Public institution** means for the purpose of this election:

A registered charity (within the meaning assigned by subsection 248(1) of the *Income Tax Act*) that is a school authority, a public college, a university, a hospital authority or a person determined by the Minister of National Revenue to be a municipality for all purposes of Part IX of the *Excise Tax Act*.

### Threshold amount calculation

Use the following calculation to determine your threshold amount for a fiscal year.

Enter your total taxable sales and revenues (paid to you or that became due) for your immediately preceding fiscal year. Do not include amounts collected as GST/HST or Provincial sales tax. \$ \_\_\_\_\_ (1)

**Less:** Amounts included on line 1 that are for:

Goodwill	\$ _____ (2)
Financial services	_____ (3)
Sales of capital real property	_____ (4)
Zero-rated exports	_____ (5)
Taxable supplies made outside Canada	_____ (6)
Add lines 2 through line 6	_____ (7)
Line 1 minus line 7	_____ (8)
Line 8 divided by the number of days in that fiscal year	_____ (9)
Line 9 multiplied by 365	\$ _____ (10)

#### Note

If there are no associated persons, the amount on line 10 is your threshold amount for the fiscal year. If there are associated persons, then the above calculation has to be repeated for each associate using the immediately preceding fiscal year end of the associate that ends on or before your last fiscal year end. The line 10 total for all associates has to be added to your line 10 total to get your threshold amount for the current fiscal year.

Use this return to declare and pay tax when you acquire taxable real property (e.g., land or a building) if you are in any of the following situations:

- You are a **GST/HST registrant** and you acquired the property for use primarily in non-commercial activities (i.e., use or supply in your commercial activities will be **50% or less**). If you are a GST/HST registrant and acquired the taxable real property primarily (more than 50%) for your commercial activities, do not use this return. Use your regular GST/HST return (Form GST34) to declare and pay the tax.
- You are **not registered for GST/HST** and you acquired the property from a non-resident, or from a person who is deemed to be resident only because of the person's permanent establishment in Canada.

**Do not** complete this return if you acquired taxable real property from a vendor who is resident in Canada and you meet **one** of the following conditions:

- You are an individual who acquired a residential complex, or a cemetery plot or similar site.
- You are not registered for GST/HST.

Enter the information in the boxes on the top portion (Part 1) of this return. This is your working copy; keep it for your records. We may audit this copy and any other information you have used to prepare your return. Copy the Business Number (if you have one), acquisition date, and the information from lines 201, 205, and 215 on your working copy (Part 1) to the corresponding boxes of the lower portion (Part 2). Complete the identification area on the back of this return and send us Part 2 along with your payment.

Additional information is provided on the back of this return. For more information or assistance, contact us at 1-800-959-5525.

<b>Business Number</b> (if you have one)	<b>Acquisition date of real property</b>	<b>Due date</b>
	Year   Month   Day	Year   Month   Day

Address and description of real property, including the proper name(s) of any building(s) located on the property

---

Vendor's name and address

**Tax calculation**

Enter the value of the **total taxable acquisition** of the real property on which you are calculating tax. **201**

**Note:** If the property is located in both a participating province and another province, contact us at 1-800-959-5525.

Enter the **tax due** (15% HST of line 201 if the property is located in Nova Scotia, New Brunswick, or Newfoundland; or 7% GST of line 201 if the property is located in any other province). **205**

Enter the **payment** you are sending with this return. **215**

(Ce formulaire est disponible en français)

GST60 E (00)

▼ **Detach and return lower portion (Part 2)** ▼

Privacy Act Personal Information  
Bank number RCC/P-PU-080.

**Business Number** (if you have one)

**Acquisition date of real property**

Year | Month | Day

**Internal use only**

Year | Month | Day

**Note:** Please complete the identification section on the back of this return.

**Total taxable acquisition** **201**

**Tax due** **205**

**Payment enclosed** **215**

I certify that the information given on this return and in any attached document is, to the best of my knowledge, true, correct, and complete in every respect, and that I am the person required to file this return, or that I am authorized to sign this return on behalf of that person.

**It is a serious offence to make a false return.**

Print name	Signature	Year   Month   Day
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## General Information and Instructions

### Acquisition date of real property

For purposes of this return, the acquisition date is whichever of the following dates that applies to your situation.

Where possession of a residential condominium unit is transferred under a sales agreement before the complex is registered as a condominium, the acquisition date is the earlier of:

- the day that ownership is transferred to you; and
- the day that is 60 days after the day the complex is registered.

In any other case, the acquisition date for real property is the earlier of:

- the day that ownership is transferred to you; and
- the day that possession is transferred to you under the sales agreement.

Enter the appropriate acquisition date on the return. This date will determine the due date for your return and payment.

### Due date

You have to file this return and the payment no later than the last day of the month following the calendar month that includes the acquisition date.

For example, if the acquisition date of real property is February 3, 2000, the due date will be March 31, 2000.

Penalty and interest will apply if we do not receive your payment on time.

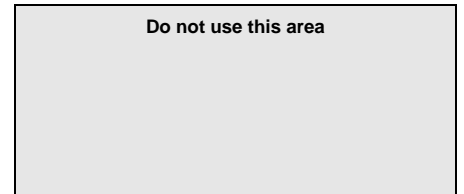
### Multiple real property acquisitions

You can declare the tax on multiple acquisitions of real property on one GST60 return if your return for each acquisition is due on the same date.

In that case, submit a separate sheet of paper with your GST60 return and provide the following information for each acquisition:

- acquisition date of real property;
- total taxable acquisition;
- tax rate; and
- tax due.

**Note:** Report total amounts on lines 201, 205, and 215.

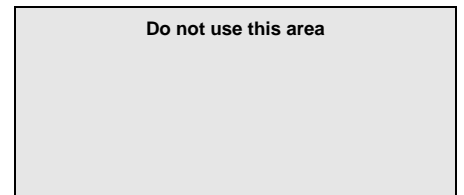


▼ Detach and return lower portion (Part 2) ▼

## Identification

**You must enter your name and address below.**

Legal name	
Trading name (if different from above)	
Mailing address (no., street, and apt. number)	
City	
Province	Postal code
Contact name	
Telephone no.	



### Filing instructions

To file this return and make a payment of less than \$50,000, you can mail Part 2 to your Tax Centre. To determine your Tax Centre, please consult the addresses shown on the next page.

You **cannot** file this return at your financial institution. If your payment is \$50,000 or more, you must pay at your financial institution in Canada using Form GST426, *Goods and Services Tax / Harmonized Sales Tax Remittance (Non-Personalized)*. Make sure you complete the identification area on Form GST426 so that your payment will be processed correctly. Mail your return as instructed above.

If you pay by cheque, write your Business Number, if you have one, on your cheque, and make it payable to the **Receiver General**. Make your payments in Canadian funds. You do not have to make a payment if the tax payable is less than \$2.

Please do not use staples or paper clips.

## How to determine your Tax Centre

### If your Tax Services Office is located in :

Southern Interior of British Columbia (Penticton),  
Vancouver, Vancouver Island (Victoria), Burnaby  
Fraser, Northern British Columbia and Yukon,  
and Regina

Winnipeg, Saskatoon, Calgary, Edmonton,  
London, Windsor, and Thunder Bay

Sudbury/Nickel Belt, Toronto Centre, Toronto  
East, Toronto West, and Toronto North

Ottawa and Sudbury (Northern Ontario only)

Halifax, Saint John, Moncton, Bathurst, Sydney,  
Newfoundland and Labrador, Kingston,  
Peterborough, and St. Catharines

Charlottetown, Belleville, Hamilton, and  
Kitchener/Waterloo

### Send your GST/HST return to :

CANADA CUSTOMS AND REVENUE AGENCY  
TAX CENTRE  
9755 KING GEORGE HIGHWAY  
SURREY BC V3T 5E1

CANADA CUSTOMS AND REVENUE AGENCY  
TAX CENTRE  
PO BOX 14000 STATION MAIN  
WINNIPEG MB R3C 3M2

CANADA CUSTOMS AND REVENUE AGENCY  
TAX CENTRE  
PO BOX 20000 STATION A  
SUDBURY ON P3A 5C1

CANADA CUSTOMS AND REVENUE AGENCY  
TAX CENTRE  
4695 12E AVE  
SHAWINIGAN-SUD QC G9N 7W2

CANADA CUSTOMS AND REVENUE AGENCY  
TAX CENTRE  
PO BOX 12071 STATION A  
ST. JOHN'S NF A1B 3Z1

CANADA CUSTOMS AND REVENUE AGENCY  
TAX CENTRE  
275 POPE ROAD  
SUMMMERSIDE PE C1N 5Z7

**Note:** If you are in Québec, the ministère du Revenu du Québec (MRQ) administers GST/HST for us. Contact the MRQ, toll-free, at 1-800-567-4692.



**ELECTION CONCERNING THE ACQUISITION OF A BUSINESS OR PART OF A BUSINESS**

A supplier and a recipient should use this form to jointly elect so that GST/HST does not apply to the supply of a business or part of a business.

For information on eligibility, see the back of the form or contact us at 1-800-959-5525.

**If the supplier is a GST/HST registrant and the recipient is not a registrant, this election cannot be used.**

Part A – Identification (recipient)			
Legal name		Business Number	
Trading name (if different from legal name)			
Mailing address			
City	Province	Postal code	Telephone number ( )
Contact person	Title		Type of business

Part B – Identification (supplier)			
Legal name		Business Number	
Trading name (if different from legal name)			
Mailing address			
City	Province	Postal code	Telephone number ( )
Contact person	Title		Type of business

Part C – Eligibility	
1. Does the property supplied by the supplier and described in part D below constitute a business or part of a business?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. Does the recipient, under the agreement with the supplier, acquire the ownership, possession, or use of all or substantially all of the property required to carry on the business or part of the business?	<input type="checkbox"/> Yes <input type="checkbox"/> No
If the supplier answered <b>Yes</b> to question 1 and the recipient answered <b>Yes</b> to question 2 above, they can jointly elect to have the supply of the business or part of a business described in part D below not subject to GST/HST.	

Part D – Election													
Description of property acquired (if necessary, add on a separate sheet of paper)													
Enter the recipient's GST/HST reporting period in which the acquisition occurred:	From <table border="1"> <tr> <td>Year</td> <td>Month</td> <td>Day</td> </tr> <tr> <td>     </td> <td>     </td> <td>     </td> </tr> </table> To <table border="1"> <tr> <td>Year</td> <td>Month</td> <td>Day</td> </tr> <tr> <td>     </td> <td>     </td> <td>     </td> </tr> </table>	Year	Month	Day				Year	Month	Day			
Year	Month	Day											
Year	Month	Day											
Enter the date the property was acquired by the recipient:	<table border="1"> <tr> <td>Year</td> <td>Month</td> <td>Day</td> </tr> <tr> <td>     </td> <td>     </td> <td>     </td> </tr> </table> <input type="checkbox"/> We, the recipient and the supplier, jointly elect to have the supply of the business or part of the business described above not subject to GST/HST.	Year	Month	Day									
Year	Month	Day											
<b>Note: This election is subject to the exclusions specified on the back of this form.</b>													

Certification (recipient)							
I, _____, certify that the information given on this form and in any attached documents with respect to the person identified in Part A is, to the best of my knowledge, true, correct, and complete in every respect, and that I am the recipient or that I am authorized to sign on behalf of the recipient.							
Position	Signature <table border="1"> <tr> <td>Year</td> <td>Month</td> <td>Day</td> </tr> <tr> <td>     </td> <td>     </td> <td>     </td> </tr> </table>	Year	Month	Day			
Year	Month	Day					

Certification (supplier)							
I, _____, certify that the information given on this form and in any attached documents with respect to the person identified in Part B is, to the best of my knowledge, true, correct, and complete in every respect, and that I am the supplier or that I am authorized to sign on behalf of the supplier.							
Position	Signature <table border="1"> <tr> <td>Year</td> <td>Month</td> <td>Day</td> </tr> <tr> <td>     </td> <td>     </td> <td>     </td> </tr> </table>	Year	Month	Day			
Year	Month	Day					

## General information

### Definitions

**all or substantially all** generally means 90% or more.

**business** includes a profession, calling, trade, manufacture or undertaking of any kind whatever, whether the activity or undertaking is engaged in for profit, and any activity engaged in on a regular or continuous basis that involves the supply of property by way of lease, licence or similar arrangement, but does not include an office or employment.

**property** means any property, whether real or personal, movable or immovable, tangible or intangible, corporeal or incorporeal, and includes a right or interest of any kind, a share and a chose in action, but does not include money.

**recipient** of a supply of property or a service means

- (a) when an amount is payable for the supply, the person who pays or agrees to pay for the amount;
- (b) when no amount is payable for the supply, and
  - i) the property is sold, the person to whom the property is delivered or made available;
  - ii) the property is not sold (e.g., leased, rented, etc.), the person using the property, or who could use it, or to whom it is made available; or
  - iii) a service is rendered, the person to whom the service is rendered.

As a general rule, the recipient is the person to whom a supply is made.

**registrant** means a person who is registered, or who is required to be registered for GST/HST.

**supplier** (e.g., vendor) means the person making the supply.

**supply** means the provision of property or a service in any manner, including sale, transfer, barter, exchange, licence, rental, lease, gift, or disposition.

### Eligibility

The supplier and the recipient can jointly make this election, so that the supplier does not have to collect and the recipient does not have to pay GST/HST on the supply of a business or part of a business, when they meet the following conditions:

- The supplier makes a supply of a business or part of it that was established or carried on by the supplier, or that was established or carried on by another person and acquired by the supplier.
- The recipient acquires ownership, possession, or use of at least 90% of the supplier's property necessary for the recipient to carry on the business or part of it.
- The supplier and the recipient are both registrants, non-registrants, or the supplier is a non-registrant and the recipient is a registrant.

### Exclusions

This election does not apply to the following supplies:

- a taxable supply of a service to be rendered by the supplier;
- a taxable supply by way of lease, licence or similar arrangement; and
- a taxable sale of real property, if the recipient is not a GST/HST registrant.

### Filing the election

A recipient who is a GST/HST registrant has to file this election form together with the GST/HST return for the reporting period in which the acquisition was made to the address specified on the GST/HST return.

Otherwise, this election form has to be kept with the recipient's records.



ELECTION AND REVOCATION OF AN ELECTION TO USE THE QUICK METHOD OF ACCOUNTING

CHOIX ET RÉVOCATION DU CHOIX D'UTILISER LA MÉTHODE RAPIDE DE COMPTABILITÉ

Use this form if you want to use the Quick Method of accounting or stop using this method.

Utilisez ce formulaire si vous choisissez d'utiliser la méthode rapide de comptabilité ou si vous voulez cesser d'utiliser cette méthode.

For more information, see the back of this form.

Pour plus de renseignements, lisez le verso de ce formulaire.

A - Identification - Renseignements généraux. Fields include: Legal name - Raison sociale, Business Number - Numéro d'entreprise, Trading name (if different from above) - Nom commercial (s'il est différent), Mailing address - Adresse postale, City - Ville, Province, Postal code - Code postal, Contact person - Personne-ressource, Title - Titre, Telephone number - Numéro de téléphone.

B - Election - Choix. I elect to use the Quick Method of accounting to calculate the net GST/HST owing. Je choisis d'utiliser la méthode rapide de comptabilité pour calculer la TPS/TVH nette due. I wish to begin using the Quick Method of accounting effective the first day of my reporting period beginning. Je désire utiliser la méthode rapide de comptabilité à compter de la première journée de ma période de déclaration, soit le.

C - Revocation of election - Révocation du choix. I hereby revoke the election that I made to use the Quick Method of accounting to calculate the net GST/HST owing. Par la présente, je révoque le choix d'utiliser la méthode rapide de comptabilité pour calculer la TPS/TVH nette due. Date election became effective. Date d'entrée en vigueur de ce choix. Effective date of revocation of election. Date d'entrée en vigueur de la révocation de ce choix. Note: The effective date of revocation must be a minimum of one year after the date of the election. Remarque: La date d'entrée en vigueur de la révocation doit être au moins un an après la date d'entrée en vigueur du choix.

D - Certification - Attestation. As an authorized person, I, \_\_\_\_\_, certify that the information given on this form is, to the best of my knowledge, correct and complete. À titre de personne autorisée, je, \_\_\_\_\_, déclare que les renseignements fournis dans ce formulaire sont, à ma connaissance, exacts et complets. Signature of authorized person - Signature de la personne autorisée, Title of authorized person - Titre de la personne autorisée, Date.

## Instructions

### Eligibility conditions:

Generally, you can use the Quick Method if your total worldwide annual taxable sales (including GST/HST) and those of your associates for any four consecutive fiscal quarters in the five most recent fiscal quarters are no more than \$200,000.

Certain businesses **cannot** use the Quick Method. For more information on these businesses, see the booklet called *Quick Method of Accounting for GST/HST*.

### Election requirements and conditions:

If you file monthly or quarterly GST/HST returns, we have to receive your election by the due date of the return for the reporting period in which you begin using the Quick Method.

If you are an annual filer, you have to file your election in the three months following the beginning of your fiscal year for it to be effective that year.

You may begin using the Quick Method on the effective date you indicate on this form, which must be the first day of a GST/HST reporting period.

If you elect to use the Quick Method, you have to use it for at least **one year** as long as you continue to qualify to use it.

### Ceasing to use the Quick Method:

Generally, if your worldwide taxable sales (including GST/HST) and those of your associates for a fiscal year exceed \$200,000, you have to start accounting for GST/HST using the general rules starting:

- on the first day of the second quarter of the next fiscal year, if you are a monthly or quarterly filer; or
- at the beginning of your next fiscal year, if you are an annual filer.

If you have been using the Quick Method for at least one year, you can revoke your election effective at the end of any reporting period if you file this form on or before the due date of the return for that reporting period.

Once you revoke a Quick Method election, **you have to wait at least one year** before you can elect to use the Quick Method again.

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Send the completed form to elect or revoke your election to use the Quick Method to your tax services office.

For more information about the Quick Method and the remittance rate(s) that you should use, see the booklet called *Quick Method of Accounting for GST/HST*.

## Instructions

### Conditions d'admissibilité :

Habituellement, vous pouvez utiliser la méthode rapide si le total de vos ventes taxables annuelles à l'échelle mondiale (TPS/TVH comprise) et celles de vos associés ne dépasse pas 200 000 \$ au cours de quatre trimestres d'exercice consécutifs dans les cinq derniers trimestres d'exercice.

Certaines entreprises **ne peuvent pas** utiliser la méthode rapide. Si vous désirez plus de renseignements sur ces entreprises, procurez-vous la brochure intitulée *La méthode rapide de comptabilité pour la TPS/TVH*.

### Exigences et conditions relatives au choix :

Si vous produisez des déclarations de TPS/TVH mensuelles ou trimestrielles, vous devez faire votre choix au plus tard à la date d'échéance de la déclaration pour la période au cours de laquelle vous commencez à utiliser la méthode rapide.

Si vous produisez des déclarations annuelles, vous avez trois mois après le début de votre exercice pour présenter votre choix afin que celui-ci soit en vigueur pour cet exercice.

Vous pouvez commencer à utiliser la méthode rapide à la date d'entrée en vigueur que vous indiquez sur ce formulaire qui doit être le premier jour d'une période de déclaration de TPS/TVH.

Si vous choisissez d'utiliser la méthode rapide, vous devez le faire pendant **un an** tant que vous y êtes admissible.

### Révocation du choix de la méthode rapide :

Habituellement, si vos ventes taxables à l'échelle mondiale (TPS/TVH comprise) et celles de vos associés au cours d'un exercice dépassent 200 000 \$, vous devez commencer à rendre compte de la TPS/TVH en utilisant les règles générales à compter de l'une des dates suivantes :

- du premier jour du deuxième trimestre du prochain exercice, si vous êtes un déclarant mensuel ou trimestriel;
- du début de votre prochain exercice, si vous êtes un déclarant annuel.

Si vous avez utilisé la méthode rapide depuis au moins un an, vous pouvez révoquer votre choix à la fin d'une période de déclaration pourvu que vous présentiez ce formulaire au plus tard à la date d'échéance de la déclaration pour cette période.

Une fois que vous révoquez le choix d'utiliser la méthode rapide, **vous devez attendre au moins un an** avant de pouvoir choisir de nouveau la méthode rapide.

---

Afin de choisir ou de révoquer votre choix d'utiliser la méthode rapide, envoyez ce formulaire, une fois rempli, à votre bureau des services fiscaux.

Pour obtenir plus de renseignements sur la méthode rapide et le ou les taux de versement que vous devez utiliser, procurez-vous la brochure intitulée *La méthode rapide de comptabilité pour la TPS/TVH*.

# STATEMENT OF BUSINESS ACTIVITIES

For more information on how to complete this statement, see the income tax guide called *Business and Professional Income*.

**Identification**

Your name: \_\_\_\_\_ Your social insurance number: \_\_\_\_\_

From: Year \_\_\_\_\_ Month \_\_\_\_\_ Day \_\_\_\_\_ To: Year \_\_\_\_\_ Month \_\_\_\_\_ Day \_\_\_\_\_ Was 2000 your last year of business? Yes  No

Business name: \_\_\_\_\_ Main product or service: \_\_\_\_\_

Business address: \_\_\_\_\_ Industry code (see the appendix in the *Business and Professional Income* guide): \_\_\_\_\_

City, and province or territory: \_\_\_\_\_ Postal code: \_\_\_\_\_ Partnership identification number: \_\_\_\_\_

Name and address of person or firm preparing this form: \_\_\_\_\_ Tax shelter identification number: \_\_\_\_\_

Business number: \_\_\_\_\_ Your percentage of the partnership: \_\_\_\_\_ %

**Income**

Sales, commissions, or fees \_\_\_\_\_ a

**Minus** – Goods and services tax/harmonized sales tax (GST/HST) and provincial sales tax (if included in sales above) \_\_\_\_\_

– Returns, allowances, and discounts (if included in sales above) \_\_\_\_\_

**Total of the above two lines** \_\_\_\_\_ b

**Net sales, commissions, or fees** (line a minus line b) **8000** \_\_\_\_\_

Reserves deducted last year **8290** \_\_\_\_\_

Other income **8230** \_\_\_\_\_

**Gross income** (total of the above three lines) – Enter on the appropriate line of your income tax return **8299** \_\_\_\_\_ c

**Calculation of cost of goods sold (enter business part only)**

Opening inventory (include raw materials, goods in process, and finished goods) **8300** \_\_\_\_\_

Purchases during the year (net of returns, allowances, and discounts) **8320** \_\_\_\_\_

Subcontracts **8360** \_\_\_\_\_

Direct wage costs **8340** \_\_\_\_\_

Other costs **8450** \_\_\_\_\_

**Total of the above five lines** \_\_\_\_\_

**Minus** – Closing inventory (include raw materials, goods in process, and finished goods) **8500** \_\_\_\_\_

**Cost of goods sold** **8518** \_\_\_\_\_ d

**Gross profit** (line c minus line d) **8519** \_\_\_\_\_ e

**Expenses (enter business part only)**

Advertising **8521** \_\_\_\_\_

Bad debts **8590** \_\_\_\_\_

Business tax, fees, licences, dues, memberships, and subscriptions **8760** \_\_\_\_\_

Delivery, freight, and express **9275** \_\_\_\_\_

Fuel costs (except for motor vehicles) **9224** \_\_\_\_\_

Insurance **8690** \_\_\_\_\_

Interest **8710** \_\_\_\_\_

Maintenance and repairs **8960** \_\_\_\_\_

Management and administration fees **8871** \_\_\_\_\_

Meals and entertainment (allowable part only) **8523** \_\_\_\_\_

Motor vehicle expenses (not including capital cost allowance) **9281** \_\_\_\_\_

Office expenses **8810** \_\_\_\_\_

Supplies **8811** \_\_\_\_\_

Legal, accounting, and other professional fees **8860** \_\_\_\_\_

Property taxes **9180** \_\_\_\_\_

Rent **8910** \_\_\_\_\_

Salaries, wages, and benefits (including employer's contributions) **9060** \_\_\_\_\_

Travel **9200** \_\_\_\_\_

Telephone and utilities **9220** \_\_\_\_\_

Other expenses \_\_\_\_\_ **9270** \_\_\_\_\_

**Subtotal** \_\_\_\_\_

Allowance on eligible capital property **9935** \_\_\_\_\_

Capital cost allowance (from Area A on page 3 of this form) **9936** \_\_\_\_\_

**Total business expenses** (total of the above three lines) **9368** \_\_\_\_\_ f

**Net income (loss) before adjustments** (line e minus line f) **9369** \_\_\_\_\_



**Area A – Calculation of capital cost allowance claim**

1 Class number	2 Undepreciated capital cost (UCC) at the start of the year	3 Cost of additions in the year (see Areas B and C below)	4 Proceeds of dispositions in the year (see Areas D and E below)	5 * UCC after additions and dispositions (col. 2 plus 3 minus 4)	6 Adjustment for current year additions (1/2 x (col. 3 minus 4)) If negative, enter "0"	7 Base amount for capital cost allowance (col. 5 minus 6)	8 Rate %	9 CCA for the year (col. 7 x 8 or an adjusted amount)	10 UCC at the end of the year (col. 5 minus 9)

**Total CCA claim for the year** (enter this amount, minus any personal part and any CCA for business-use-of-home expenses, on line 9936 on page 1 of this form \*\*)

\* If you have a negative amount in this column, add it to income as a recapture on line 8230, "Other income," on page 1 of this form. If no property is left in the class and there is a positive amount in the column, deduct the amount from income as a terminal loss on line 9270, "Other expenses," on page 1 of this form. Recapture and terminal loss do not apply to a Class 10.1 property. For more information, read Chapter 4 of the *Business and Professional Income* guide

\*\* CCA for "Calculation of business-use-of-home expenses" read Chapter 4 - Special Situations

**Area B – Details of equipment additions in the year**

1 Class number	2 Property details	3 Total cost	4 Personal part (if applicable)	5 Business part (column 3 minus column 4)

**Total equipment additions in the year** 9925

**Area C – Details of building additions in the year**

1 Class number	2 Property details	3 Total cost	4 Personal part (if applicable)	5 Business part (column 3 minus column 4)

**Total building additions in the year** 9927

**Area D – Details of equipment dispositions in the year**

1 Class number	2 Property details	3 Proceeds of disposition (should not be more than the capital cost)	4 Personal part (if applicable)	5 Business part (column 3 minus column 4)

**Note:** If you disposed of property from your business in the year, see Chapter 4 in the *Business and Professional Income* guide for information about your proceeds of disposition.

**Total equipment dispositions in the year** 9926

**Area E – Details of building dispositions in the year**

1 Class number	2 Property details	3 Proceeds of disposition (should not be more than the capital cost)	4 Personal part (if applicable)	5 Business part (column 3 minus column 4)

**Note:** If you disposed of property from your business in the year, see Chapter 4 in the *Business and Professional Income* guide for information about your proceeds of disposition.

**Total building dispositions in the year** 9928

**Area F – Details of land additions and dispositions in the year**

Total cost of all land additions in the year	9923		
Total proceeds from all land dispositions in the year	9924		

**Note:** You cannot claim capital cost allowance on land.







# STATEMENT OF REAL ESTATE RENTALS

1

For more information on how to complete this statement, see the income tax guide called *Rental Income*.

**Identification**

Your name \_\_\_\_\_ Your social insurance number \_\_\_\_\_

For the period from: Year \_\_\_\_\_ Month \_\_\_\_\_ Day \_\_\_\_\_ to: Year \_\_\_\_\_ Month \_\_\_\_\_ Day \_\_\_\_\_

Was this the final year of your rental operation? Yes  No

Name and address of person or firm preparing this form \_\_\_\_\_ Partnership identification number \_\_\_\_\_

Tax shelter identification number \_\_\_\_\_

Business Number \_\_\_\_\_ Your percentage of ownership \_\_\_\_\_ % Industry code \_\_\_\_\_ 7 5 1 1

**Details of other co-owners and partners**

Co-owner or partner's name and address	Share of net income or (loss) \$	Percentage of ownership %
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**Income**

Address of property	Number of units	Gross rents
_____	_____	_____
_____	_____	_____
_____	_____	_____
Enter the total of your gross rents	8141	_____
Other related income	8230	_____
<b>Gross income</b> (enter this amount on line 160 of your income tax return)	8299	_____ (a)

**Expenses**

	Total expense	Personal portion
Advertising	8521	_____
Insurance	8690	_____
Interest	8710	_____
Maintenance and repairs	8960	_____
Management and administration fees	8871	_____
Motor vehicle expenses (not including capital cost allowance)	9281	_____
Office expenses	8810	_____
Legal, accounting, and other professional fees	8860	_____
Property taxes	9180	_____
Salaries, wages, and benefits (including employer's contributions)	9060	_____
Travel	9200	_____
Utilities	9220	_____
Other expenses	9270	_____
<b>Total</b>	_____	9949
Deductible expenses (total expenses minus personal portion)	_____	_____
<b>Net income (loss) before adjustments</b> (line a minus line b)	_____	9369 (b)
<b>Co-owners</b> – Your share of line 9369 above	_____	_____ (c)
<b>Minus</b> – Other expenses of the co-owner	_____	9945
Sub-total	_____	_____
<b>Plus</b> – Recaptured capital cost allowance (see Chapter 3 for details)	_____	9947
Sub-total	_____	_____
<b>Minus</b> – Terminal loss (see Chapter 3 for details)	_____	9948
Sub-total	_____	_____
<b>Minus</b> – Capital cost allowance (from Area A on the back)	_____	9936
<b>Net income (loss)</b> – Enter this amount on line 9946 if you are a sole proprietor or a co-owner	_____	_____ (d)
<b>Partnerships</b> – Your share of line (d) above	_____	_____
<b>Minus</b> – Other expenses of the partner	_____	9943
<b>Your net income (loss)</b> – Enter this amount on line 126 of your income tax return	_____	9946

**Area A – Calculation of capital cost allowance claim**

1 Class number	2 Undepreciated capital cost (UCC) at the start of the year	3 Cost of additions in the year (see Areas B and C below)	4 Proceeds of dispositions in the year (see Areas D and E below)	5 * UCC after additions and dispositions (col. 2 plus 3 minus 4)	6 Adjustment for current-year additions (1/2 x (col. 3 minus 4)) If negative, enter "0"	7 Base amount for capital cost allowance (col. 5 minus 6)	8 Rate %	9 CCA for the year (col. 7 x 8 or a lesser amount)	10 UCC at the end of the year (col. 5 minus 9)

**Total CCA claim for the year \*\***           

\* If you have a negative amount in this column, add it to income as a recapture under "Recaptured capital cost allowance" on the front of this form. If there is no property left in the class and there is a positive amount in the column, deduct the amount from income as a terminal loss under "Terminal loss" on the front of this form. For more information, read Chapter 3 of the *Rental Income* guide.

\*\*Sole proprietors and partnerships enter the total claim on line 9936 on the front. Co-owners enter only your share of the total claim on line 9936 on the front.

**Area B – Details of equipment and other property additions in the year**

1 Class number	2 Property details	3 Total cost	4 Personal portion (if applicable)	5 Rental portion (Column 3 minus Column 4)

**Total equipment and other property additions in the year** 9925

**Area C – Details of building additions in the year**

1 Class number	2 Property details	3 Total cost	4 Personal portion (if applicable)	5 Rental portion (Column 3 minus Column 4)

**Total building additions in the year** 9927

**Area D – Details of equipment and other property dispositions in the year**

1 Class number	2 Property details	3 Proceeds of disposition (should not be more than the capital cost)	4 Personal portion (if applicable)	5 Rental portion (Column 3 minus Column 4)

**Note:** If you disposed of rental property in the year, see Chapter 3 in the *Rental Income* guide for information about your proceeds of disposition.

**Total equipment and other property dispositions in the year** 9926

**Area E – Details of building dispositions in the year**

1 Class number	2 Property details	3 Proceeds of disposition (should not be more than the capital cost)	4 Personal portion (if applicable)	5 Rental portion (Column 3 minus Column 4)

**Note:** If you disposed of rental property in the year, see Chapter 3 in the *Rental Income* guide for information about your proceeds of disposition.

**Total building dispositions in the year** 9928

**Area F – Details of land additions and dispositions in the year**

Total cost of all land additions in the year	<b>9923</b>	
Total proceeds from all land dispositions in the year	<b>9924</b>	



# STATEMENT OF EMPLOYMENT EXPENSES

- The income tax guide called *Employment Expenses* has information to help you complete this statement and the schedule on the back. The chapters we refer to below are from the guide.
- Please include a copy of this form with your income tax return.

## Expenses

Accounting and legal fees		
Advertising and promotion		
Allowable motor vehicle expenses (from line 16 below)		1
Food, beverages, and entertainment expenses (see Chapter 2 or 3, as applicable)		
Lodging		
Parking		
Supplies (e.g., postage, stationery, other office supplies)		
Other expenses (please specify)		
Musical instrument costs (see "Part 2" in Chapter 5)		
Capital cost allowance for musical instruments (see "Part A" on the back of this form)		
Artists' employment expenses (see "Part 1" in Chapter 5)		
	Subtotal	2
<b>Add</b> work-space-in-the-home expenses (enter the lower amount of line 24 or 25 below)		
<b>Total expenses</b> (enter this amount on line 229 of your income tax return)	=	

## Calculation of Allowable Motor Vehicle Expenses

Enter the kilometres you drove in the taxation year to earn employment income		3
Enter the total kilometres you drove in the taxation year		4
Enter the motor vehicle expenses you paid for:		
Fuel (gasoline, propane, oil)		5
Maintenance and repairs		6
Insurance		7
Licence and registration		8
Capital cost allowance (see schedule on the back)		9
Interest (see "Interest expense" in Chapter 6)		10
Leasing (see "Leasing costs" in Chapter 6)		11
Other expenses (please specify)		12
<b>Add</b> lines 5 to 12		13
Employment-use portion ( $\frac{\text{line 3}}{\text{line 4}} \times \text{line 13}$ )	=	14
Enter the total of all rebates, allowances, and repayments you received that are not included in income. Do not include any repayments you used to calculate your leasing costs on line 11.		15
<b>Allowable motor vehicle expenses</b> (line 14 minus line 15)		16
Enter the amount from line 16 on line 1 in the "Expenses" area above		

## Calculation of Work-Space-in-the-Home Expenses

Electricity, heat, and water		17
Maintenance		18
Insurance (commission employees only)		19
Property taxes (commission employees only)		20
Other expenses (please specify)		21
<b>Add</b> lines 17 to 21	Subtotal	22
<b>Subtract</b> personal-use portion		23
	Subtotal	
<b>Add</b> amount carried forward from previous year		
	Subtotal	24
Enter your employment income		
<b>Subtract</b> the amount from line 2 above		
Subtotal (If negative, enter "0")	=	25
Work-space-in-the-home expenses available to use in <b>future</b> years (line 24 minus line 25; if negative, enter "0")		

## CAPITAL COST ALLOWANCE SCHEDULE (DEPRECIATION) FOR EMPLOYEES

- The income tax guide called *Employment Expenses* has information to help you complete this schedule.

### Part A – Class 8 and 10

1 Class no.*	2 Undepreciated capital cost at the beginning of the year	3 Cost of acquisitions during the year	4 Proceeds of disposition during the year	5 Undepreciated capital cost after acquisitions and dispositions (Col. 2 + 3 – 4)	6 Adjustments for current-year acquisitions (1/2 X (Col. 3 – 4). If negative, enter "0")	7 Base amount for capital cost allowance claim (Col. 5 – 6)	8 Rate %	9 Capital cost allowance for the year (Col. 7 X 8, or a lesser amount)	10 Undepreciated capital cost at the end of the year (Col. 5 – 9)
8							20%		
10							30%		

\* Class 8 includes musical instruments.

Class 10 includes all vehicles that meet the definition of a motor vehicle, except for a passenger vehicle included in Class 10.1 (see "Part B" below).

### Part B – Class 10.1

- See Chapter 7 of the *Employment Expenses* guide for details about the Class 10.1 limits.
- List each passenger vehicle on a separate line.

Date acquired	Cost of vehicle	1 Class no.	2 Undepreciated capital cost at the beginning of the year	3 Cost of acquisitions during the year	4 Proceeds of disposition during the year	5 Base amount for capital cost allowance claim**	6 Rate %	7 Capital cost allowance for the year (Col. 5 X 6, or a lesser amount)	8 Undepreciated capital cost at the end of the year (Col. 2 – 7, or Col. 3 – 7)***
		10.1					30%		
		10.1					30%		
		10.1					30%		

**TOTAL**

- \*\* a. Enter the amount from Column 2 in Column 5 if you owned the vehicle in the previous year and still owned it at the end of the current year.
- b. Enter 1/2 of the amount from Column 3 in Column 5 if you bought the vehicle in the current year and still owned it at the end of the current year.
- c. Enter 1/2 of the amount from Column 2 in Column 5 if you sold the vehicle in the current year and you owned the vehicle at the end of the previous year.
- d. If you bought and sold a class 10.1 vehicle in the current year, enter "0" in Column 5.

\*\*\* Enter "0" in Column 8 for the year you sold or traded a class 10.1 vehicle, since the recapture and terminal loss rules do not apply.



# WORKSHEET FOR CALCULATING 2000 INSTALMENT PAYMENTS

Please read the instructions on the back of this worksheet before you complete this form.

Social insurance number

## Calculating net tax owing by instalments

**Note:** The line references are from the General income tax return.

Net federal tax (line 420) .....	_____	A	
Old Age Security (OAS) repayment (from line 422) .....	_____	B	
Provincial or territorial tax (line 428) .....	_____	C	
First Nations tax (line 432) .....	_____	D	
Total payable (add lines A, B, C, and D) .....	_____		▶ _____ 1
Total income tax deducted (line 437)* (If you are a resident of Quebec, use line 439.) .....	_____	E	
Refundable abatement (line 440 plus line 441) .....	_____	F	
Refundable medical expense supplement (line 452) .....	_____	G	
Refund of investment tax credit (line 454) .....	_____	H	
Part XII.2 trust tax credit (line 456) .....	_____	I	
Provincial or territorial tax credits (line 479) .....	_____	J	
Total credits (add lines E, F, G, H, I and J) .....	_____		▶ _____ 2
Net tax owing by instalments (line 1 minus line 2) .....	_____		_____ 3

\*If you are calculating your **1999** net tax owing, include in the amount on line E the total amount withheld from your OAS pension benefits during **1999**. If you are estimating your **2000** net tax owing, do the calculation for "line E" on the back of this worksheet.

## Canada Pension Plan (CPP) contributions payable by instalments

If you reported self-employment income on lines 135 to 143 of your return or business or professional income from a partnership on line 122 of your return, complete Schedule 8, *Calculating Canada Pension Plan Contributions on Self-Employment and Other Earnings*, included with your individual tax package. Report the amount you calculated on line 10 of Schedule 8 on line 4 below. If you are estimating your 2000 CPP contributions payable, use the following figures to complete Schedule 8:

- \$3,500 on line 6
- \$34,100 on line 7
- 7.8% on line 8

CPP contributions payable by instalments ..... \_\_\_\_\_ 4

## Total amount payable by instalments

Add lines 3 and 4 ..... \_\_\_\_\_ 5

### Instalment amount due:

If you have to make instalment payments every three months, divide the amount on line 5 by 4 and send it by \_\_\_\_\_ 6 each due date.

If your main source of income is self-employment income from farming or fishing, calculate 2/3 of the amount on line 5 and send it in one instalment payment by December 31 ..... \_\_\_\_\_ 7

### Note

If the amount on line 6 or 7 is more than the amount on your instalment reminders, and you pay only the amount on each of your reminders by the due date, you will not have to pay instalment interest or penalties.

# Instructions

## Do you have to make instalment payments?

You have to make quarterly instalment payments for 2000 if in 2000 and **either** 1999 or 1998 your net tax owing is more than \$2,000 (\$1,200 if you live in Quebec). However, you only have to make one instalment payment for 2000 if your chief source of income in 2000 is self-employment income from farming or fishing and your net tax owing in 2000, 1999, and 1998 is more than \$2,000 (\$1,200 for residents of Quebec).

## Note

If you moved to or from Quebec in 2000, 1999, or 1998, please use the threshold amount (\$2,000 or \$1,200) that applies to the province you lived in on December 31 of those years.

If you have to make instalment payments, we will mail you an *Instalment Reminder* before each payment is due. The reminders will tell you how much you can pay under the no-calculation option. We will mail reminders for the March 15 and June 15 instalment payments in February, and for the September 15 and December 15 payments in August. If your main source of income is self-employment income from farming or fishing, you should receive your reminder at the end of November.

If you do not receive an *Instalment Reminder* and you believe you should be making instalment payments, contact your tax services office for more information. You can find the address and telephone numbers listed under "Canada Customs and Revenue Agency" in the Government of Canada section of the telephone book.

## Can you use this worksheet?

If your net income for 1999, or your expected net income for 2000, is less than the net income of 1998, the tax year we used to calculate your instalment payments indicated on the reminder for the March 15 and June 15, 2000 due dates, you can choose to pay lower amounts. If you make this choice, use this worksheet to determine the instalment amount(s) that you should pay using your 1999 or 2000 net tax owing. If the instalment amount due on line 6 or 7 on the other side is less than the amount indicated on your instalment reminders, you can pay the lesser amount **without contacting us**. Regardless of the amount you pay, your reminders will continue to show the amounts we calculated according to the information on file.

If your income increases or stays about the same from year to year, you do not have to use this worksheet. Instead, you should pay the amounts shown on all your reminders by the due dates. This ensures that you will not have to pay instalment interest, even if the total payments are less than the total amount of tax you may owe for the year.

## How do you use this worksheet?

If you want to calculate your instalment payments using your income for the 1999 tax year (prior-year option), complete your 1999 income tax return and copy the information onto the corresponding lines on this worksheet.

If you want to use your estimated income for the 2000 tax year (current-year option), complete a 1999 income tax return using your 2000 figures and copy that information onto the corresponding lines on this worksheet. **Use this income tax return only to calculate your estimated net tax owing. Do not send it to your tax centre for processing.**

If you are estimating your 2000 net tax owing and CPP contributions payable using a 1999 return, use the following amounts:

- Maximum CPP contributions (line 308) ..... \$ 1,329.90
- Maximum Employment Insurance premiums (line 312) ..... \$ 936.00
- Base amount for Employment Insurance repayment (line 235) ..... \$48,750.00
- Base amount for OAS repayment (line 235) ..... \$53,215.00

## Line E "Special calculation for clients receiving Old Age Security (OAS) pension"

Use the table below to estimate your total income tax deducted at source during 2000. It applies only if you meet the following two conditions:

- you are 65 years of age or older in 2000;
- your 1998 or your 1999 net income before adjustments (line 234) was more than \$53,215.

Estimated tax deducted at source during 2000 from your OAS			
● 1998 net income before adjustments (line 234) minus \$53,215 =	_____	X 0.075	_____ A
● 1999 net income before adjustments (line 234) minus \$53,215 =	_____	X 0.075	_____ B
● Total voluntary tax that will be withheld from your 2000 OAS	_____		_____ C
	Add lines A, B, and C (maximum \$5097.00)		_____ ► _____ 1
Estimated total tax deducted at source during 2000 ( <b>excluding</b> tax deducted from your OAS)			
_____ 2			
Estimated total income tax deducted at source during 2000 (line 1 plus line 2)			
_____ 3			
<b>(Enter the amount from line 3 on line E on the other side.)</b>			



DECLARATION OF CONDITIONS OF EMPLOYMENT

- You have to complete this form to deduct employment expenses from your income. You complete Part A, and your employer has to complete Part B.
You do not have to file this form with your return. However, you have to keep it in case we ask to see it.
For more information, see the guide called Employment Expenses, or Interpretation Bulletins IT-352, Employee's Expenses, Including Work Space in Home Expenses, and IT-522, Vehicle, Travel and Sales Expenses of Employees.

Part A - Employee information (to be completed by the employee)

Form section for Part A containing fields for Last name, First name, Social insurance number, Home address, and Business address.

Part B - Conditions of employment (to be completed by the employer)

Form section for Part B containing 9 numbered questions with checkboxes for Yes/No and text input fields for details.

Employer declaration

I certify that the above conditions of employment for this employee are, to the best of my knowledge, true, correct, and complete.

Signature lines for Name of employer (please print), Date, and Telephone.

Signature lines for Name and title of authorized person (please print) and Signature of employer or authorized person.





## DECLARATION DES CONDITIONS DE TRAVAIL

- Vous devez remplir ce formulaire si vous voulez déduire des dépenses d'emploi de votre revenu. Vous remplissez la **partie A** et votre employeur doit remplir la **partie B**.
- Vous n'avez pas à joindre ce formulaire à votre déclaration de revenus. Conservez-le pour pouvoir nous le fournir sur demande.
- Pour plus de détails, consultez le guide intitulé *Dépenses d'emploi* ou les bulletins d'interprétation IT-352, *Dépenses d'employé, y compris celles concernant l'espace consacré au travail à domicile*, et IT-522, *Frais afférents à un véhicule à moteur, frais de déplacement et frais de vendeurs engagés ou effectués par les employés*.

### Partie A – Détails concernant l'employé (à remplir par l'employé)

Nom de famille	Prénom usuel	Numéro d'assurance social
Adresse personnelle		Adresse au bureau

### Partie B – Conditions de travail (à remplir par l'employeur)

1. Selon son contrat de travail, l'employé doit payer ses frais engagés pour l'exécution des tâches qui lui sont confiées?  Oui  Non
2. a) Demandez-vous régulièrement que cet employé travaille ailleurs qu'à votre établissement ou à différents endroits?  Oui  Non  
b) Si *oui*, quelle était la région de déplacement de l'employé? \_\_\_\_\_
3. Indiquez la période d'emploi au cours de l'année : **De :** \_\_\_\_\_ **À :** \_\_\_\_\_  
(mois) (année) (mois) (année)
4. a) L'employé a-t-il reçu une allocation?  Oui  Non  
b) Si *oui*, indiquez (cochez la case appropriée selon le cas):  
 a été reçue comme une allocation fixe, telle qu'une indemnité forfaitaire mensuelle  
 a été calculé selon un taux au kilomètre
5. a) Cet employé reçoit un remboursement pour les frais qu'il paie dans l'exécution des tâches qui lui sont confiées?  Oui  Non  
b) Si *oui*, indiquez (cochez la case appropriée selon le cas):  
 a été reçue sur preuve de paiement  
 a été porté au débit de l'employeur, par exemple par carte de crédit
6. a) Avez-vous exigé que cet employé engage d'autres frais pour lesquels il ne reçoit ni allocation ni remboursement?  Oui  Non  
b) Si *oui*, indiquez les genres de frais \_\_\_\_\_
7. a) Cet employé est rémunéré, en totalité ou en partie, sous forme de commissions ou d'autres sommes semblables fixées selon le volume de ventes effectuées ou de contrats négociés?  Oui  Non  
b) Si *oui*, indiquez le genre de biens vendus ou de contrats négociés \_\_\_\_\_
8. Les fonctions de cet employé l'obligeaient-elles à rester au moins 12 heures à l'extérieur de la municipalité et de la région métropolitaine, s'il y en a une, où est situé votre établissement et où cet employé se présentait habituellement au travail?  Oui  Non
9. a) Avez-vous exigé que cet employé, selon son contrat :  
• loue un bureau hors de votre établissement ou utilise une partie de son domicile?  Oui  Non  
• embauche un adjoint ou un remplaçant?  Oui  Non  
• achète les fournitures qui sont utilisées directement dans l'accomplissement des fonctions de son emploi?  Oui  Non  
b) Avez-vous remboursé ou rembourserez-vous à cet employé une des dépenses au point 9a)?  Oui  Non  
c) Si *oui*, indiquez le montant que vous avez remboursé ou que vous rembourserez. \$ \_\_\_\_\_

### Déclaration de l'employeur

Je certifie que les conditions d'emploi ci-dessus pour cet employé sont, au mieux de ma connaissance, vraies, exactes et complètes.

\_\_\_\_\_  
Nom de l'employeur (en majuscules)

\_\_\_\_\_  
Nom de la personne autorisée (en majuscules)

\_\_\_\_\_  
Date

( ) \_\_\_\_\_  
Téléphone

\_\_\_\_\_  
Signature de l'employeur ou de la personne autorisée