



Getting ORGANIZED Preparing Your Tax Return

Have you ever experienced those panic filled moments trying to recall where you put your tax receipts? Or the cold sweats trying to decide if this or that was deductible? You are not alone. Many people go through the same agony year in and year out. But it needn't be this way. Try these few simple guidelines and eliminate the frown lines.

Personal Tax Returns

- ☐ **Get a checklist.** Obtain a personal income tax return checklist from your accountant. If you have employment expenses or rental income, get checklists for those as well.
- ☐ **Read the checklist.** Ensure you are claiming all eligible deductions and reporting all your income.
- ☐ **Keep all your receipts in one place.** Don't worry about sorting tax receipts. It is more important that all the receipts are kept in one easy to find location. Use an envelope or a pocket folder (a file folder with accordion sides).
- ☐ **File receipts as soon as you get them.** When you receive a tax receipt, file it immediately. Do not wait until tomorrow – tomorrow never comes.
- ☐ **Get your taxes prepared earlier rather than later.** Get your return done early and avoid a last minute rush-job. You will get your refund earlier and if you owe money, it will avoid unnecessary penalties and interest – either way YOU save money.

Tax Tip. A donation receipt must state "Official receipt for income tax purposes" and have the Registered Charity Number on it. Pledge receipts and cancelled cheques are not considered receipts for tax purposes.

Small Businesses: informal systems (receipts method)

- ☐ **Get a Checklist.** Obtain a Self-Employed checklist from your accountant.
- ☐ **Read the Checklist.** Ensure you are getting the benefit of all your deductible expenses and not claiming undeductible ones.
- ☐ **Always get a receipt.** More is better with business records. Get a legitimate business receipt for everything; cancelled cheques are not considered receipts for tax purposes. When using a credit card, be sure to get the store receipt, too; it shows the items purchased and the GST paid.
- ☐ **Categorize the information.** Sort your receipts by type of expense.

- ☐ **Segregate items you are not sure of.** There will always be grey areas. Segregate and make notations on those expenses you are not sure of.
- ☐ **Set up your filing system.** The volume of receipts will dictate the best system for you. Ask your accountant what filing system they recommend for your business and avoid wasting time organizing things the way you "think" they want it. Do not file receipts by month. Some systems are:
 - ☐ Filing all receipts in one envelope
 - ☐ Paper clipping similar expenses together
 - ☐ Setting up file folders

Tax Tip. A legitimate business receipt contains: the name (of the individual or business), address, phone number, date (including year), a description of the purchase or service, GST (if applicable), the total, and an indication that the amount has been paid.

Small Businesses: formal systems (general ledger method)

There comes a point where the "receipts method" will no longer support the volume of transactions efficiently and an accounting program is required. The beauty of current accounting software is that it saves time and reduces the need for arithmetic calculations.

- ☐ **Choose the accounting software.** Get your accountant to recommend a software program.
- ☐ **Set up your system.** You can do this yourself or have it done for you. Be sure that provisions are made for growth and change. Refer to Good Filing Practices - <http://www.munrocga.com/GoodFilingPrac.pdf>
- ☐ **Learn the program.** You can take a course, use the tutorial, or hire a consultant.
- ☐ **Batch your Bookkeeping.** Do not let your bookkeeping pile up. Set aside sufficient quiet time on a regular basis when you can write up your books. It is not usually time efficient to do write up every day so batch your bookkeeping.

Tax Tip. Get separate receipts for business purchases. Cashiers are happy to ring up separate receipts and it eliminates calculations.

The main reason for errors and delays in the preparation of income tax returns is a lack of complete information. Remember taking the time to file information properly saves you time and money down the road.