

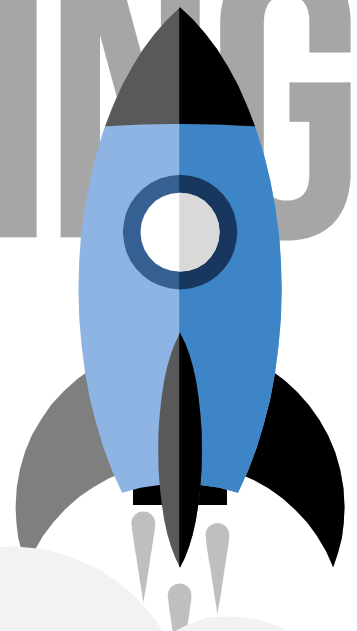
Everything you need to know about taxes, GST & accounting for your real estate business!



Launching Your Success

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TAX AND ACCOUNTING TOOLKIT



DISCLAIMER



The material in this Toolkit is intended as a general source of information only, and should not be construed as offering specific tax, legal, financial or investment advice. Every effort has been made to ensure that the material is correct at time of publication, but we cannot guarantee its accuracy or completeness. Tax rulings and other investment factors are subject to rapid and constant change. Individuals should consult with their personal tax advisor, accountant or legal professional before taking any action based on the information presented.

SNAPSTATS®

More than a monthly report! This Toolkit is part of our **Launching Your Success™** campaign to help veteran and new to the business agents excel in their strive for success.

SnapStats subscriber benefits include:

- Social Media Marketing Assets (maps, videos and infographics)
- Client Appreciation Handouts
- Monthly Reports
- Year-to-Date Reports
- 5 Year Trend Reports
- Archived reports (10+ years)
- and much, much more!



SMART REALTOR® SUCCESS SOLUTIONS

Download a [FREE SAMPLE REPORT HERE](#)

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CELEBRATE TAX TIME IN 6 EASY STEPS



1: CONSULT WITH AN ACCOUNTING PROFESSIONAL

Consult with an accounting professional as soon as you start your real estate career so that you know what to look out for. Most of your questions can be answered in a one hour consultation. SnapStats has aligned with Jimmy Le-Tang, Chartered Professional Accountant dynamo who specializes in providing accounting services to BC REALTORS®. See page 11 for more information on Jimmy and to claim a special SnapStats subscriber tax return discount.

2: GET ORGANIZED

Give yourself the biggest gift you can each tax season; Set up the following recommended systems and practices to get your accounting/bookkeeping in place and to keep you organized. This may or may not be a simple task for you but it will ensure you don't miss any vital documents, keep you confident as you record your expenses and provide evidence of your claims.

3: CREATE A SYSTEM

Create a system whether it's a daily, weekly, monthly or quarterly exercise to capture your various receipts into different categories using envelopes, folders, etc. or inputting the data into a spreadsheet. The more you do upfront and consistently, the easier it will be at year-end. **BEST PRACTICE:** Track your expenses using online software (see #4.) In addition to saving you time during tax season, if you are ever chosen for an audit, the CRA (Canada Revenue Agency) agent may be impressed with how quickly you were able to supply the requested documents which could play into your favour.

4: BOOKKEEPING SOFTWARE RECOMMENDATIONS (2)s

QuickBooks Online (Recommended): \$22 a month. At times 75% discounts are available for the first three months. Recognized as the industry standard for small business with easy set-up. User friendly despite being a robust program offering many bells and whistles including an attachment feature to archive receipt copies for recorded expenses. More info at QuickBooks.intuit.ca and to subscribe.

Budget Advisor (Windows only): ~~\$24.95 USD one-time fee~~ FREE for the time being. Our recommendation if you are budget conscious and file your GST using the 'Quick Method' (see #6 below.) It is very simple to use with the ability to print off a year-end totals expense report for submission to your accountant. First download the software [HERE](#) (.exe file) and SAVE AS to your desktop. Then open **our customized ready-to-use template** [HERE](#) which includes the Chart of Accounts we recommend (page 11.) You are good to go! If a registration key is requested please contact us. NOTE: BudgetAdvisor.net is not responsive and no support is offered so we are offering the program file with **zero support**. See page 7 'A note about receipts' on how to archive the receipts you record within the software.

Have a Mac? Check out Freshbooks Lite Plan [HERE](#).

5: INCOME TAX PAYABLE

ALWAYS, ALWAYS, ALWAYS put aside a percentage of each commission cheque into a separate account and transfer it to CRA as required (see below.) Determine a minimum, *realistic* amount and stick to it such as 25-30%. Upon deposit of your commission cheque, transfer your percentage amount to a free

tangerine.ca account for administration ease and to garner the most interest while you store it for the government. Consider any refund (overpayment) as a bonus for yourself. The alternative is a tax bill that you are not prepared for and playing catch-up through the next year, or worse, garnished wages. If your office offers automated tax (or gst) withholding take advantage of the program unless you are confident to self-manage your money.

Paying your income tax by installments:

Installments are recurring income tax payments that you must pay on certain dates. These are to cover tax that you would normally have to pay in a lump sum on June 30 of the following year. Installments are not paid in advance; they are paid during the calendar year in which you are earning the taxable income. After your first year as a REALTOR®, CRA will provide you a schedule of payments due the upcoming year with the following dates based on your previous year's income:

March 15 June 15 September 15 December 15

NOTE: Should you choose not to pay the instalment for the amount specified then CRA may impose interest. If it turns out that you are entitled to a refund then they will refund the excess payments plus interest from the due date of your return (not the due date from the instalment payment.) To ensure compliance consult a tax professional.

6: GST & QUICK METHOD ELECTIVE

Every commission cheque will include a portion which is the collected Goods and Services tax (GST) for your services provided as the REALTOR®. As this money does not belong to you it is prudent to tuck away all of the GST you collect to ensure you have enough funds to remit to CRA at tax time. If you owe less GST at the end of the year then consider the remaining GST not remitted to CRA as a bonus. Don't fall victim to GST interest and penalty charges due to spending it through the year.

NOTE: If in any year you owed \$3,000 or more in GST, you are required to pay quarterly GST installments in the next year. This installment is equivalent to your GST payable amount in the prior year divided by four. Not paying instalments means you will have to pay interest.

The **Quick Method** is a simplified accounting option available to help small businesses calculate the GST they have to remit **without having to record GST separately on each of their eligible purchases**. You still have to keep records of your purchases and sales, however the Quick Method can reduce paperwork, bookkeeping costs and make it easier to complete the GST return. It **may also result in increased cash retention** compared to reporting the GST using the regular method. **REALTORS® earning \$400,000 or less INCLUDING GST** (worldwide taxable sales income) can elect to use the Quick Method.

IMPORTANT: To use the Quick Method you **must complete Form GST74 and file it with CRA** (see pg 12.) If you are doing any **business other than a REALTOR®** you may fall under the category of persons who cannot use this method. It is advisable to consult with a tax professional before electing the Quick Method. See page 10 for more information on eligibility.

OPTIONAL 7: SEPARATE BANK ACCOUNT

Open a **separate bank account** (business or personal) which acts as the main account for your commission income and expenses. This helps to differentiate between business and personal expenses, and more importantly, does not open the door for CRA to review all of your personal activities if you were ever chosen for an audit.

TO PREC OR NOT TO PREC



Personal Real Estate Corporations (PREC) enable real estate licensees to access the business advantages of incorporation. This can include better planning of income and tax streams and is similar to options available to other professionals, such as dentists, accountants and lawyers. **In a nutshell if you are spending everything you make PREC is NOT a solution that will benefit you much.**

Becoming a PREC **requires TWO sets of licensing fees, E&O fees and Compensation Fund fees** (one for the controlling individual and one for the Personal Real Estate Corporation) to be paid every two years. So for example, if your licensing fees and all are \$1,650 for two years, becoming a PREC means that would double to \$3,300 every two years. Becoming a PREC also **requires TWO separate tax returns to be filed each year** (one individual return and one corporate return.) A Corporate Year-End tax return for a PREC, which includes a set of *Compilation Engagement* financial statements, corporate tax return and an integrated tax plan to optimize after-tax cash flows is about \$3,500. PRECS are also required to maintain a separate business bank account also increasing annual administration costs.

The BC Financial Services Authority strongly recommends that licensees, prior to establishing a Personal Real Estate Corporation obtain professional accounting and legal advice.

MISCELLANEOUS TAX INFO

COMMISSION REBATES

Commission rebates are 100% deductible for REALTORS®. Just remember to **hold back the GST you collected on the full commission** and only provide the rebate net of GST. If the subject property is an investment property, this rebate has tax implications to your client or the benefactor as it will increase the capital gain (if any) on the property. If the subject property is a principal residence your client has nothing to worry about. A copy of your cancelled cheque should satisfy CRA as a receipt; however, to be cautious it is advisable to create a more formal receipt for your client specifying their social insurance number, name, address of the subject property and date.

GST ON VEHICLE PURCHASE

CRA will typically allow you to include all of the GST you incur on a vehicle purchase on your GST filing if the vehicle is used 90% or more for business and will disallow any GST on filing if the vehicle is used 10% or less for business. If your usage is in between, there is a formula that must be used to arrive at the GST amount you are allowed to claim. GST paid on vehicle purchases are limited to the first \$34,000 of the purchase price (max \$1,700 GST). Further, monthly leasing costs are subject to limitations.

There are primarily two options for how a REALTOR® can deduct their automobile expenses and each has their benefits and drawbacks. Consultation with a tax professional is advised.

FREE VEHICLE MILEAGE TRACKER APP



MileIQ is the least fancy mileage tracker app available. It includes all of the features that you would expect a mileage tracker app to have and offers a free and premium version. The only difference between the two versions is the premium version provides unlimited number of drives per month at a cost of \$60 USD per year (monthly plan available.) Learn more [HERE](#).

AUTOMATIC

Once MileIQ is installed it works in the background. No buttons to press to start or stop. **Your miles are automatically logged and recorded creating a complete record** of all your tax deductible and reimbursable mileage.

CUSTOMIZABLE

Add your vehicles, purposes and locations. No set-up is needed to get MileIQ up and running but if you're serious about reducing your work and getting the most out of your mileage tracking the customization features allow you to personalize every drive.

ACCURATE

Need reports of your all of drives? **MileIQ maintains an accurate record of your mileage stored securely in the cloud.** Use one-tap on your mobile device to get a report of your current drive information or a snapshot of many drives. Need more detail, use your personalized web dashboard to view all your drives.

ORGANIZED

Classification allows you to categorize which drives are business and which are personal. **To classify a drive swipe to the left for personal or to the right for business drives.**

KEY FEATURES SUMMARY

- Drives logged automatically
- 40 free drives per month (premium version unlimited)
- Easy customization
- Detailed reports that you can email or export and share
- Download MileIQ [HERE](#) for the free or premium app option

For those that prefer a paper recording system purchase the Blueline® Vehicle Mileage Logbook [HERE](#).

HOW TO GET AUDITED... Skip these 5 steps!



1: PROFESSIONAL TAX FILING

CRA is less likely to be as concerned about a tax return filed by a tax professional or firm, than one that is completed and filed by a self-employed REALTOR® who may innocently claim expenses that are not eligible or are calculated incorrectly. Consider the investment as an insurance policy to help you get your return in the 'do not audit' CRA pile.

2: CLAIM CONSERVATIVE EXPENSES

It is always better to be conservative and cautious when claiming expenses for business use. In other words don't push the limits and exaggerate the vehicle use percentage or claim expenses that are for your personal (non-business) benefit as a business expense. If a time comes that you receive a CRA audit notice you can breathe easy that everything you have written off is valid and justified.

3: PROMO/GIFT RECEIPTS

Write the benefactor name and phone number on the back of any restaurant receipts or gift receipts for promotional purposes. If you are ever audited the CRA agent may look upon your audit more favourably as being transparent. Keep it honest as they may actually pick up the phone to verify the expense.

NOTE: Meals and entertainment expense deductions are limited to 50% of the actual expenditure and the GST paid on such expenses are refundable at half the rate.

A NOTE ABOUT RECEIPTS: DIGITIZE & ARCHIVE!

Start the habit now by requesting any services to provide receipts to you digitally (email) if they are not already doing so. Emailed receipts enable you to easily set up an archived retrieval system in the event you are audited and must verify any expense. For each receipt do the following (**NOTE:** Steps 2 to 4 are not necessary if you are using QuickBooks and its receipt attachment feature):

1. Record the expense including GST using the Chart of Accounts on page 9 (ie into your software)
2. Forward/attach/scan the receipt in an email to yourself with the following subject line format:
Year / Quarter / Chart of Account / Amount + GST (ie 2016 Q2 Computer \$43.87)
3. Archive the email once you receive it
4. Search by the subject line if you need to retrieve an invoice for a category or year/quarter to verify

4: FILE EARLY

File your return(s) early and before the business filing due date of June 15. This sends a positive message to CRA that you are organized, have control of your finances and record keeping. It also avoids any unnecessary penalties.

5: BE PREPARED

By following the systems and recommendations in this SnapStats® Tax Toolkit you are preparing yourself in the event of an audit **ensuring it is as pain free and low-cost as possible**. If you think having your taxes prepared and filed by a professional is expensive **wait until you are audited!**

CRA AUDIT ACTIVITY IS ON THE RISE

As of 2018 Canada Revenue Agency (CRA) is dramatically increasing the amount of audit activity they are undertaking. In fact, over the next 5 years they have allocated an additional \$524 million for this purpose.

Anyone can be selected for review, irrespective of whether your returns are filed accurately and on time. They are now using data matching and powerful algorithms to select persons of interest. These could be based around an industry, a category of expense, income or be totally random in nature.

The cost of being properly represented can be quite considerable depending on the circumstances. Even a simple enquiry can require hours of work. Reid, Hurst & Nagy's (RHN) Audit Shield Fee Waiver Service provides a fixed, cost effective solution to guard against these unbudgeted costs.

Audit Shield provides for the payment of professional fees incurred in the event that you are selected for an audit, enquiry, investigation or review (audit activity) of filed returns by the Canada Revenue Agency (CRA) and other relevant revenue agencies.

WHAT IS COVERED?

All professional fees, up to a prescribed limit (with no excess) are covered when you engage us in audit activity matters. When you choose to participate in our Audit Shield Fee Waiver Service you will receive the following benefits, plus more:

- Protection from any unplanned professional fees resulting from audit activity.
- Retrospective cover, so all previously filed returns are included.
- The assurance that you are covered during a stressful situation.
- Payment for your participation is tax deductible.

And more! Business Audits, Capital Gains Tax, SR&ED (Financial only), Corporate Tax, Employment Compliance Audits, GST/HST/PST, Payroll Audits (T4) and Personal Tax (Post Assessment T1 only) are just a few items included in the extensive Audit Shield Fee Waiver Service coverage!

IS IT RIGHT FOR YOU?

New and existing clients are invited to participate in our Audit Shield Fee Waiver Service. Specific levels of cover are available for Sole Proprietors, Professional Corporations including PRECS and Limited Liability Partnerships. T15 are covered with their corporate entity. Anyone can be targeted, even if their returns are accurate. With the CRA's unprecedented access to data matching, it makes it simpler and far more likely for previously untargeted taxpayers to encounter audit activity. Audit Shield's protection offers you piece of mind.

If you would like to learn more, contact [Reid, Hurst & Nagy](#) at 604-273-9338.



PERSONAL INCOME TAX RETURN CHECKLIST



LAST YEAR'S NOTICE OF ASSESSMENT

INCOME

Self-Employment Income

Any T3, T4, T5's

CAPITAL GAINS

T5013

Trading summaries from Brokers

Annual statement from Mutual Funds

OTHER INCOME

Rental income and expense information

DEDUCTIONS & CREDITS

Self-employment expense information (**Easy! Just print off your software's year end totals!**)

RRSP (must be official receipts)

Child care receipts

Children's fitness amount

Children's arts amount

Adoption expenses

Support payment information

Disability support information

Caregiver/disability amount

Moving expenses

Tuition fees – T2202/2202A

Student loan interest slips

Union/professional dues

Labour sponsored funds – T2006/EVCC30

Monthly bus passes

Home buyers account

Investment advice and accounting fees paid

Interest on investment loans

Safety deposit box fees

Donations (must be official receipts)

Installment payment information

Medical/Dental/Optical receipts (less any reimbursements from insurance)

Premiums paid to Private/Travel Medical Insurance plans

CHART OF ACCOUNTS



Print this list off as a handy reference for when you are coding your receipts. These are the identical categories as those included in our provided Budget Advisor software template (see page 4.)

Board Dues & Fees
Casual Labour
Coaching
Computer
Courier
Donation
Education & Training
Lead Generation
Marketing
Marketing: Internet
Meals Personal
Miscellaneous
Office fees
Office Supplies
Photographer/Floor Plans / Virtual Tour
Postage
Promo Gifts
Promo Meals
Referral Fees/Commission Rebate
Stationary, Printing & Signs
Supplies
Strata Docs
Telephone/Data Plan/Fax
Website

Following are VEHICLE Chart of Accounts

Lease/Payment
Insurance
Repairs & Maintenance
Wash & Detail
Parking/Toll
Advertising
Miscellaneous

FORM GST74 – GST QUICK METHOD



CRA must be notified by way of [THIS](#) form if you wish to elect the Quick Method for your GST filing. You can start using the Quick Method on the effective date you indicate to CRA; however, this date **must** be the first day of a GST reporting period.

To use the Quick Method you must have been in business **continuously** for at least 365 days*. If you are doing any **business other than a REALTOR®** you may fall under the category of persons who cannot use this method. It is advisable to consult with a tax professional before electing the Quick Method to ensure you are in compliance.

*If you are a new GST registrant (therefore, not in business for at least 365 days) then you can still elect to use the quick method if you can reasonably expect that your first year of commissions (including GST) will be less than \$400,000; however, you **should elect to use the quick method either simultaneously at the time of registration or as soon as possible after registration as there exists a deadline to elect.** If the deadline expires then your election will not take effect until the beginning of the next GST reporting period.

GST 'QUICK METHOD' FILE FORM CHEAT SHEET

At time of writing the Quick Method GST formula to determine what amount you will remit is equal to 3.6% of your gross sales + GST.

FILE FORM CHEAT SHEET

Line **101** is the gross total of your commission **INCLUDING GST**

Line **103** is 3.6% of line 101

Line **105** is same amount as recorded in line 103

Line **115** Payment enclosed which is the same amount as recorded in line 105

1% GST REBATE

A 1% rebate* on the **first \$30,000 of taxable sales including GST** is available to you. See example below:

\$105,000	Total annual commission of \$100,000 + GST X 3.6% remittance rate)
= \$3,780	Subtotal
- \$300	Rebate on first \$30,000 of taxable sales + GST (\$30,000 x 1%)
= \$3,480	Net remittance

*The 1% rebate on the first \$30,000 of taxable sales + GST is an annual limit. Therefore, if you are a quarterly filer and the \$30,000 limit is reached within the first quarter then the rebate is exhausted for the remaining three quarters and cannot be claimed again for the remaining three quarters.

MEET JIMMY



Jimmy Linh Hong Le-Tang* CPA, CA

604-260-7303
Jimmy@jltpa.ca
www.jltpa.ca

**J. Le-Tang Ltd. a professional corporation.*

Not the typical accountant, Jimmy is breaking stereotypes. He's the biggest extrovert you will meet and doesn't shy away from the spotlight either. Put him in a room full of strangers and he'll leave making friends.

As a Chartered Professional Accountant, Jimmy guides small to medium sized business REALTORS® to **grow their business, keep great records, save money on taxes and plan for their future.** He helps his clients improve their bottom line by ensuring that they understand what drives it and keeping them focused on their big picture.

Want to become a PREC, have your taxes professionally filed or find out how Jimmy can help your business? Don't be shy, reach out and poke him to take advantage of the special discounts below!

SPECIAL SNAPSTATS SUBSCRIBER DISCOUNTS

PRECS: \$200 off any corporate year-end engagement. One discount per year per PREC. A corporate year-end engagement includes a set of *Compilation Engagement* financial statements and corporate tax return. Please contact Jimmy for further pricing detail.

NON-PRECS: \$50 off the preparation of a personal tax return with a T2125 business income schedule attached. Please contact Jimmy for further pricing detail.

For clarity, the two discounts cannot be combined.

NOTE from SnapStats: At time of writing Jimmy does not offer Audit Shield Insurance.

MY ACTION STEPS / NOTES

