

# It's tax planning season

In accounting, there's tax season and there's tax planning season. Tax season is that three-month rush before the April 30 deadline to file personal income tax returns. We work crazy hours and hammer out returns like Santa's elves before Christmas.

The priority is to help owner/operators get organized, find all possible deductions, and avoid late penalties and fees.

Now, on the other hand, is ideal for tax planning and tax estimates. You have at least three months before the books close on your year-end, plenty of time to weigh various tax-saving opportunities and decide how to act. You'll also get full value from your accountant, who will have the time to help you get a handle on your financial statements rather than just sorting through broker settlements and receipts days before a return is due.

Still, people put it off. Taxes are complicated, they're a blizzard of paperwork, and no one likes opening up their financial life to scrutiny (better me than a Canada Revenue Agency auditor, I always say). It's like going to the doctor: come in, close the door, and drop your pants.

I've been in this line of work for 20 years so chances are I've sorted through files more disorgan-

## Tax Talk

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ized than yours. I've seen owner/operators who haven't filed a tax return in years and need to get into compliance in a hurry. Most of my clients simply like the "trucking" part of the trucking business a lot more than the business side and want someone to guide them through it.

In any case, the first step is asking for help, preferably from an accountant who knows trucking. From there, you can talk about what's important to you – reducing taxes, setting a budget, planning for retirement, incorporating the business, and so on – and what you can do to act on that plan.

### Getting organized

Organizing receipts and statements is the first step toward managing your business and critical to supporting expense claims. It's also one of the first things clients want to talk about. What records do I need to keep? For how long?

Ask your accountant for a checklist of items needed to pre-

pare your financial statements and tax returns. This should include all receipts, bank statements, credit card statements, and income statements; details about any big purchases; your log detailing use of a personal vehicle for business; and so on.

One vital record that many people (including general accountants) overlook: daily hours-of-service logs.

With the recent changes in meal-expense deduction limits, you can bet that CRA will be looking closely at meal-expense audits. If they're used to validate meal expense claims, your log-books are a tax document and must be kept for seven years.

### Quarterly reviews

While April 30 is the deadline to file your personal income tax return, talk to your accountant about reviewing your financial statements four times a year-at the end of each quarter.

A financial review every three months can highlight gaps in information. I can't tell you how many times a client has found a major repair receipt under a truck seat months later, after a review of the last three months' financial statements clearly showed that a big expense item was missing.

This probably would have been overlooked with only an annual review.

In the heat of a tax deadline there's no time to plan, only to

plow through the receipts in the shoebox. If you use the shoebox system, answer me this: Did your accountant call while preparing your tax return and ask you any questions? I'll bet not. So what value and expertise do you think you received?

Once a mistake is made it may not be easy to fix. Owner/operators bring their tax returns to me all the time for analytical reviews. Sometimes the mistakes I find are obvious and corrected by submitting an adjustment letter to CRA.

However, mistakes in the "gray" areas always are cause of concern for adjustment as now you're sticking it under CRA's nose. Better to get it right the first time.

With quarterly reviews, you'll be in a better position to take advantage of deductions and tax-saving strategies before the year is over and it's too late.

You'll be able to accurately estimate your tax payments so you're not faced with a "surprise" tax bill that puts a squeeze on your cash flow. Better still, you'll gain a working knowledge of your finances and tax obligations. □

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