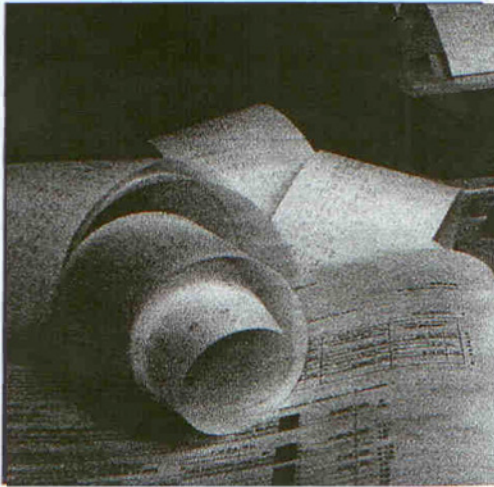




The Worst Versus The Best



One nice thing about Canada (among many nice things) is the relative freedom of choice. For instance, we can move from one coast to another without asking permission of our Government. All we should do is notify them (even that can be delayed somewhat). Every choice we make has its own consequences, some good some not so good.

Revenue Canada also gives us choices: fill out this form, get money, don't fill it out... don't get money. It's a tangled administrative mess playing their

game but still a game we are all free to play, if we choose. It's very much like that with annual taxes. We are all free to choose whichever system fits us best.

The worst tax system available for operators is the self-employed system. It produces the least options and highest vulnerability. It therefore produces the highest tax owing. However, there are some advantages; it is simple and easy to get in and out of and because of that its very popular. In business we should all remember, the easier it is the least benefit

it usually brings.

Contrast the worst tax system with the best (the Per diem method). The system produces a non-taxable benefit that saves thousands of dollars a year. In the end (if you truly want to comply) there is less paperwork requirements for the operator than self-employed. However qualifying for the system is just one of many barriers. Qualifying requires: incorporation, asset transfer, employee agreements, salary, T4 filing, corporate AND personal income tax returns. It's not for the fleeting *BJ and the Bear* buff (no offense to fans, I'm a fan myself).

The choice, however, is still yours to make. One very harsh word of warning: the system produces so much tax savings (\$6-9,000+ per year) we strongly recommend you not stand alone. Defending the per diem style tax return requires a strong knowledge of all the qualifications. The operator and accountant must stand unified in presentation and defense. If you are isolated or believe you may be isolated, strongly consider changing back. The potential liability in a two year re-assessment can easily be over \$20,000. It's a system for the serious business operator.

If you (or your accountant) wish to know more about the proper application of the per diem system, contact our office. It's not for everyone, and it requires regular effort some are unwilling to participate in, but those who use it properly gain the financial rewards. ✪

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